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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of Application of The Ponderosa
Telephone Co. (U 1014 C) to Modify Intrastate
Revenue Requirement and Rate Design and
Adjust Selected Rates.

A.22-_____

**GENERAL RATE CASE APPLICATION
OF THE PONDEROSA TELEPHONE COMPANY (U 1014 C)
[PUBLIC VERSION]**

**CONFIDENTIAL AFFILIATE INTERNET SERVICE PROVIDER DATA REDACTED
FROM APPLICATION, EXHIBITS B & F**

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1 **I. INTRODUCTION**

2 Pursuant to Rules 2.1, 2.2, 2.3, and 3.2 of the California Public Utilities Commission’s
3 (“Commission”) Rules of Practice and Procedure (“Rules”), Applicant The Ponderosa Telephone
4 Co. (U 1014 C) (“Ponderosa”) submits this general rate case application (“Application”), seeking
5 modifications to its revenue requirement and rate design, including updates to its annual costs of
6 service and California High Cost Fund A (“CHCF-A”) support and the elimination of separate
7 charges for custom calling features and voicemail.¹ This Application complies with Commission
8 directives applicable to small, independent telephone corporations, the Commission’s 2015 rate
9 case plan (“Rate Case Plan”), and all rules governing the CHCF-A program.²

10 Ponderosa has presented a reasonable proposal that advances important California and
11 federal public policy objectives, including helping to bridge the “digital divide” by enhancing
12 broadband deployment in rural areas of California.³ Ponderosa’s revenue requirement and rate
13 design were last examined in 2016 and 2017 with reference to a test year of 2018.⁴ Since that
14 time, numerous events have underscored the critical importance of Ponderosa’s services to the
15 rural communities that depend on Ponderosa’s services. The annual threat of devastating wildfires
16 provides a continued reminder of the central role that reliable voice and access to advanced
17 broadband service plays in public safety, especially given the limitations of wireless service in
18 rural areas. Wildfire impacts are particularly acute in Ponderosa’s territory, where the devastating

20 ¹ See D.20-08-011 at 55 (Ordering Paragraph (“OP”) 8 (confirming rate case filing date of October 1, 2022
21 for “Group B” companies, including Ponderosa); Rule 1.15 (October 1, 2022 falls on a Saturday, so the
filing is due the next business day).

22 ² See Pub. Util. Code § 275.6 (outlining the ratemaking standards for “small independent telephone
23 corporations” who receive CHCF-A support); D.15-06-048, Appendix A (establishing a Rate Case Plan for
Ponderosa and other “small independent telephone corporations”); D.14-12-084 (enacting ratemaking
24 adjustments following Phase 1 of CHCF-A rulemaking); D.21-04-005 (adopting “broadband imputation”
for CHCF-A recipients); D.21-06-004 (enacting additional changes to ratemaking rules following Phase 2
of CHCF-A rulemaking); D.22-02-027.(modifying D.21-06-004 on rehearing and revising license and lease
25 revenue reporting requirements).

26 ³ See Newsom Executive Order N-73-20, OP 8 (directing the “CPUC . . . to seek opportunities to use
programs under its jurisdiction to accelerate broadband deployment and leverage utility infrastructure to
increase access to existing fiber and cost-effectively deploy new fiber.”); Pub. Util. Code § 281(b)(1)(A)
27 (confirming state goal of reaching 98% of households with broadband connectivity by the end of 2026).

28 ⁴ See D.17-11-013 (concluding Ponderosa’s most recent rate case by adopting all-party settlement).

1 “Creek Fire” burned almost 380,000 acres, displaced hundreds of households, and required swift
2 and continuous emergency response activities from Ponderosa and other key community
3 stakeholders. Likewise, the COVID-19 pandemic has highlighted the need for rural connectivity,
4 as many essential services, social necessities, and economic opportunities were not available “in
5 person” during 2020 and “face-to-face” interactions remained limited into 2022.

6 Against this backdrop, federal and state regulators have confirmed that a robust broadband
7 connection is no longer a “luxury,”⁵ and Ponderosa is committed to advancing its broadband-
8 capable network, which will provide the residents of Fresno and Madera counties with access to an
9 evolving level of broadband speed and bandwidth, consistent with the growing customer demand
10 for advanced services. While Ponderosa does not provide Internet access service itself, the
11 Legislature confirmed in 2012 that Ponderosa’s investments in “broadband-capable facilities” are
12 appropriate for inclusion in rate base and that the Commission must take steps in its ratemaking
13 processes to “promote customer access to advanced services.”⁶ Consistent with these imperatives,
14 Ponderosa is prepared to make more than \$37,623,305 in additional investments in network
15 upgrades through the end of 2024, including investments made year to date in 2022, with a goal of
16 extending fiber facilities throughout its distribution network and to more residential and business
17 locations as soon as reasonably possible.

18 Ponderosa cannot bring these benefits to its customers without continued access to
19 sufficient CHCF-A support, which makes a reasonable, efficient outcome in this rate case
20 especially crucial. To provide a viable financial platform for Ponderosa’s forward-looking
21 operations, and to ensure that Ponderosa can maintain its “financial integrity,” “attract capital . . .
22 on reasonable terms” and “earn a reasonable return on its investments,” the Commission must

24 ⁵ See *In the Matter of Connect America Fund*, WC Docket No. 10-90, *Report and Order*, FCC 18-176 (rel.
25 Dec. 13, 2018) (“*ETC Reform Order*”), at ¶ 3 (recognizing that “access to 25/3 Mbps broadband service is
26 not a luxury for urban areas, but important to Americans wherever they live.”); Newsom Executive Order
27 N-73-20, OP 1 (“California state agencies subject to my authority are directed to pursue a minimum
broadband speed goal of 100 megabits per second download speed to guide infrastructure investments and
program implementation to benefit all Californians.”).

28 ⁶ Pub. Util. Code §§ 275.6(c)(6), 275.6(c)(5); see SB 379 (2012 Fuller).

1 make adjustments to both Ponderosa’s revenue requirement and its rate design.⁷ Unfortunately, in
2 2021, the Commission adopted policies in the CHCF-A rulemaking that undercut Ponderosa’s
3 ability to recover its costs of service and earn its authorized rate of return, including the imposition
4 of “broadband imputation” and the application of arbitrary expense caps to Ponderosa’s
5 operations.⁸ These recent changes will result in a revenue requirement that is lower than necessary
6 to meet statutory and constitutional standards, producing systematic revenue shortfalls in
7 Ponderosa’s rate design. Nevertheless, Ponderosa has applied the Commission’s rules in
8 presenting this Application, and it will abide by these requirements unless and until they are
9 annulled by a reviewing court or otherwise adjusted through regulatory or statutory change.⁹

10 Based on current Commission rules, Ponderosa has computed a revenue requirement of
11 \$13,653,876 for its 2024 test year, comprised of expenses of \$10,130,997, a return on rate base of
12 \$2,584,005, and tax liabilities of \$938,874. This figure is not a reasonable estimate of
13 Ponderosa’s actual expenses from its regulated operations, as it results from the rote application of
14 the corporate expense cap limitation, which generates an intrastate expense figure \$126,955 lower
15 than Ponderosa’s actual projected expenses for the test year. The “return on rate base” element of
16 revenue requirement is computed using the “cost of capital” figure of 8.44% from D.16-12-035,
17 which is applied to Ponderosa’s 2024 rate base of \$30,616,174. Ponderosa notes that it has filed
18 an application with the other Independent Small LECs on September 1, 2022, to adjust the
19 applicable cost of capital percentage in future ratemaking calculations. *See* A.22-09-003.

21 ⁷ Pub. Util. Code § 275.6(c)(2).

22 ⁸ D.21-04-005 at 23-24 (OP 1) (in Small LEC general rate cases, “all reasonable positive retail broadband-
23 related revenues of the Small ILEC and its Internet service provider (ISP) affiliate . . . net of all reasonable
24 broadband-related expenses of the Small ILEC and its ISP affiliate . . . for the calendar year immediately
preceding the filing of the GRC application shall be imputed in the determination of rate design and
California High Cost Fund-A support.”); D.21-06-004 at 43 (OPs 6-7) (requiring non-rebuttable corporate
and operating expenses in general rate cases).

25 ⁹ As part of the Independent Small LEC group, Ponderosa has filed an appellate challenge of D.21-04-005
26 and D.21-08-042, the decisions adopting “broadband imputation.” The case is docketed as *Calaveras, et al.*
27 *v. Pub. Util. Comm’n*, Case No. F083339, and a writ of review has been issued. Ponderosa believes
28 strongly that broadband imputation is unlawful, and if the decisions reflecting this policy are annulled or
otherwise reversed, Ponderosa reserves the right to modify its proposal to remove the imputed broadband
revenue from Ponderosa’s CHCF-A calculation.

1 Ponderosa understands that the cost of capital determined in that proceeding will be applied as of
2 the beginning of its 2024 test year. The 8.44% figure is included in this application as a
3 placeholder.

4 Ponderosa's rate base investment is driven by the critical need for additional investment in
5 the multi-use network to ensure long-term reliability and advance the broadband-capabilities of the
6 network to meet current and foreseeable broadband speed requirements. Ponderosa is pursuing
7 plant additions to update its distribution network with fiber facilities to increase reliability
8 including through redundancy and to achieve a Fiber to the Premises ("FTTP") architecture, which
9 will be required for it to meet the Federal Communications Commission ("FCC") speed standard
10 of 25 Megabits per second ("Mbps") download and 3 Mbps upload throughout its service territory,
11 and to position the company to meet anticipated 100 Mbps standards and beyond. The final
12 component of revenue requirement, tax liabilities, is calculating using current federal and state
13 income tax rates, as applied to Ponderosa's return on rate base of 8.44%.

14 Ponderosa's rate design includes the five categories of regulated revenue used in intrastate
15 ratemaking, consistent with Commission precedent over the past three decades: (1) \$2,733,348 in
16 local network services revenue from Ponderosa's end user customers based on anticipated demand
17 at proposed rates; (2) \$331,003 in intrastate switched and special access, intercarrier
18 compensation, and intrastate access replacement funding; (3) \$3,795,998 in High Cost Loop
19 Support ("HCLS"), forecasted by applying the FCC's algorithm in 47 C.F.R. Section 54.1300, *et*
20 *seq.* to the best available information regarding the inputs to that formula; (4) \$109,484 in
21 miscellaneous revenues classified as intrastate; and (5) <<START CONFIDENTIAL [REDACTED]
22 END CONFIDENTIAL>> in CHCF-A, prior to applying broadband imputation.¹⁰ This CHCF-

24 ¹⁰ "Broadband imputation" involves a mandatory dollar-for-dollar reduction in CHCF-A in the amount of
25 "net revenues" produced by Ponderosa's affiliate ISP related based on 2020 financial results from its
26 operations in Ponderosa's territory using Ponderosa's local loop facilities. D.21-04-005, at 23-24 (OP 1).
27 The ISP's revenues are derived from unregulated operations that are beyond the Commission's public
28 utility authority and subject to interstate jurisdictional determinations enunciated by the FCC. Therefore,
they cannot be counted as "intrastate revenue" and are not appropriate for inclusion in intrastate rate design.
Nevertheless, the Commission has directed that CHCF-A be reduced by the amount of these net revenues,
(footnote continued)

1 A figure is then reduced by a broadband imputation figure of <<START CONFIDENTIAL
2 ██████████ END CONFIDENTIAL>>.¹¹ With this adjustment, Ponderosa’s intrastate operations
3 are forecasted to produce total intrastate revenue of <<START CONFIDENTIAL ██████████
4 END CONFIDENTIAL>> resulting in an annual shortfall of <<START CONFIDENTIAL
5 ██████████ END CONFIDENTIAL>> and an intrastate rate of return of <<START
6 CONFIDENTIAL ██████████ END CONFIDENTIAL>> significantly lower than Ponderosa’s
7 currently authorized rate of return of 8.44%.¹²

8 This Application is backed by extensive documentation, straightforward calculations, and
9 the testimony of three company witnesses and four expert witnesses, as follows: (1) Kristann
10 Silkwood Mattes, Ponderosa’s President and majority owner, provides an overview of Ponderosa’s
11 history, operations, service territory, and customer base; (2) Matthew Boos, Ponderosa’s former
12 General Manager and current temporary employee, summarizes Ponderosa’s overall ratemaking
13 proposal, addresses Ponderosa’s proposal for end user rates, and describes Ponderosa’s safety
14 practices and emergency response protocols; (3) Eric Vargas, Ponderosa’s Director of Operations,
15 discusses the company’s rate base, anticipated plant additions, overall network improvement plan,
16 and its strong service quality record; (4) Chad Duval, Ponderosa’s cost consultant and regulatory

17 _____
18 and Ponderosa has faithfully applied this methodology even though Ponderosa believes is unlawful.

19 ¹¹ The broadband imputation figure presented in this Application is equal to the net income of Ponderosa’s
20 affiliate, Ponderosa Cablevision, derived from its provision of Internet access service using Ponderosa’s
21 local loop facilities within Ponderosa’s regulated service territory. This figure constitutes competitively
22 sensitive, confidential information protected pursuant to the express protections of a statute. Pub. Util.
23 Code § 275.6(e) (requiring CHCF-A participants to identify “unregulated Internet access service by that
24 corporation or its affiliate” and directing that the Commission “shall treat as confidential any information
25 provided pursuant to this subdivision”). To avoid exposing this confidential figure, Ponderosa has marked
26 the post-imputation CHCF-A draw, the overall intrastate revenue figure, the revenue shortfall, and the
27 anticipated rate of return as confidential. Without holding these figures as confidential, a current or
28 prospective competitor could easily reverse engineer the imputation figure. It is not reasonable or lawful to
force Ponderosa or Ponderosa Cablevision to disgorge this categorically confidential ISP net revenue
number—either directly or indirectly—to process this rate case. A full discussion of the redactions in the
public version of this Application is presented in the accompanying Motion to Seal. That same Motion to
Seal presents a fully-unredacted version of the Application, a copy of which has also been served on
Communications Division staff and the Public Advocates Office (“Cal Advocates”).

¹² D.16-12-035 at 58 (OP 1(g)) (adopting cost of capital of 8.44% for Ponderosa). The shortfalls in rate
design and rate of return are the consequence of broadband imputation. As explained above, if the
broadband imputation policy is annulled or reversed, Ponderosa reserves the right to request the full
amount of CHCF-A necessary to allow its rate design to equal its revenue requirement.

1 policy expert, provides the financial models and supporting documentation underlying
2 Ponderosa's revenue requirement and rate design; (5) Dr. Dale Lehman, an economist and expert
3 on affordability of utility service, explains why Ponderosa's proposed rate changes are appropriate
4 based on an analysis of affordability factors and income data in Ponderosa's service territory; (6)
5 Nick Huckaby, Ponderosa's depreciation expert, provides the depreciation study and supporting
6 documentation underlying Ponderosa's depreciation rates; and (7) Larry Thompson, an engineer
7 and network design expert, provides support for Ponderosa's network upgrade and FTTP plans.
8 This testimony has been served contemporaneously with this Application on the Commission's
9 Communications Division, Cal Advocates, and the Administrative Law Judge ("ALJ") Division.

10 **II. LEGAL REQUIREMENTS AND RATEMAKING STANDARDS.**

11 The applicable ratemaking standards derive from three sources: constitutional authorities,
12 statutory requirements, and the Commission's directives implementing rate-of-return regulation
13 and the CHCF-A program. Ponderosa believes that some of the Commission's regulations
14 adopted in the CHCF-A rulemaking (R.11-11-007) materially conflict with constitutional and
15 statutory standards, but Ponderosa has nevertheless applied these rules in this Application.

16 **A. Constitutional Standards**

17 Constitutional requirements focus on ensuring that regulated utilities have a fair
18 opportunity to earn a reasonable return on their investments in property that they put to public use.
19 Where a state commission adopts a utility rate structure that fails to "afford sufficient
20 compensation," it has illegally appropriated "the use of utility property without paying just
21 compensation and so violated the Fifth and Fourteenth Amendments." *Duquesne Light Co. v.*
22 *Barasch*, 488 U.S. 299, 308 (1989); *see also Federal Power Commission v. Hope Natural Gas*
23 *Co.*, 320 U.S. 591, 603 (1944); *Bluefield Water Works & Improvement Co. v. Pub. Service*
24 *Comm'n of West Virginia*, 262 U.S. 679, 690-693 (1923); Cal. Const., art. I, § 19. If a
25 Commission-imposed rate structure leaves a company with "insufficient operating capital or . . .
26 impeded[es] [the] ability to raise future capital," or if a rate would be "inadequate to compensate
27 current equity holders for the risks associated with their investments," the rate structure is
28 unconstitutional. *Id.* at 312.

1 Separately, a *per se* taking results when a governmental agency physically takes possession
2 of an interest in property for some public purpose. *Brown v. Legal Foundation of Washington*,
3 538 U.S. 216, 233-234 (2003) (analyzing legal authority for *per se* takings); *Loretto v.*
4 *Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982). This occurs “regardless of whether
5 the interest that is taken constitutes an entire parcel or merely a part thereof.” *See Brown, supra*,
6 538 U.S. at 233-234; *see also Brooks-Scanlon Co. v. R.R. Comm’n of Louisiana*, 251 U.S. 396,
7 399–400 (1920) (“A carrier cannot be compelled to carry on even a branch of business at a loss,
8 much less the whole business of carriage”); *Ponderosa v. Pub. Util. Comm’n*, 197 Cal.App.4th 48,
9 59-60 (2011) (seizure of returns on unregulated investments unconstitutional).

10 While these constitutional standards should govern this ratemaking matter, some of the
11 regulatory requirements adopted in Phase 2 of the CHCF-A rulemaking conflict with these
12 constitutional standards by artificially understating Ponderosa’s revenue requirements and
13 institutionalizing shortfalls in the revenue needed to fulfill that revenue requirement. The
14 Commission’s current rules will deny Ponderosa a reasonable opportunity to achieve earnings
15 needed to provide adequate service to its subscribers, cover its costs and tax liabilities, and fairly
16 compensate its investors.

17 **B. Statutory Standards**

18 Ponderosa’s Application applies the primary statutory direction governing the development
19 of ratemaking metrics and rate structures for “small independent telephone corporations,” Public
20 Utilities Code Section 275.6. By law, the Commission must:

21 Employ rate-of-return regulation to determine a small independent telephone
22 corporation's revenue requirement in a manner that provides revenues and earnings
23 sufficient to allow the telephone corporation to deliver safe, reliable, high-quality
24 voice communication service and fulfill its obligations as a carrier of last resort in its
service territory, and to afford the telephone corporation a fair opportunity to earn a
reasonable return on its investments, attract capital for investment on reasonable terms,
and ensure the financial integrity of the telephone corporation.

25 Pub. Util. Code § 275.6(c)(2). The cornerstone of the ratemaking process for small independent
26 telephone companies is the computation of a reasonable “revenue requirement” that reflects a
27 company’s reasonable costs of service, including a reasonable return on the company’s
28 investments. Pub. Util. Code § 275.6(b)(5). Once a “revenue requirement” is established, the

Commission must “then fashion[] a rate design to provide the company a fair opportunity” to earn a reasonable rate of return on its rate base. Pub. Util. Code § 275.6(b)(4)-(5).

In applying rate-of-return regulation to small independent telephone corporations, the Commission must also ensure that customer rates are “just and reasonable” and “reasonably comparable” to urban rates. Pub. Util. Code § 275.6(c)(3). It must “[p]romote customer access to advanced services and deployment of broadband-capable facilities,” include “all reasonable investments necessary to provide for the delivery of high-quality voice communication services and the deployment of broadband-capable facilities in . . . rate base,” and provide sufficient CHCF-A support to “supply the portion of the revenue requirement that cannot reasonably be provided by the customers of each small independent telephone corporation after receipt of federal universal service rate support.” Pub. Util. Code §§ 275.6(c)(4)-(6). These ratemaking features are mandated by statute and non-waivable.

C. Phase 1 and Phase 2 Decisions in CHCF-A Rulemaking

The CHCF-A rulemaking, R.11-11-007, has been open for nearly 11 years, and it has resulted in three significant decisions impacting the substantive ratemaking standards for small independent telephone corporations, including Ponderosa. First, the Commission issued the Phase 1 Decision, D.14-12-084, which provided the ratemaking foundation for Ponderosa’s last rate case. Second, the Commission issued its Phase 2 “Broadband Imputation Decision,” D.21-04-005, authorizing reductions in CHCF-A based on the net profits of ISP affiliates of small independent telephone corporations. Third, the Commission issued a “Phase 2 Ratemaking Decision,” D.21-06-004, implementing additional changes to the treatment and calculations of expenses, investments, and rates in the upcoming round of rate cases for small independent telephone corporations. The Phase 2 Ratemaking Decision was later modified and clarified in response to the Independent Small LECs’ request for rehearing. *See* D.22-02-027 at 8-10 (OP 1-2).

Collectively, these three decisions enunciate four main directives that are relevant to this rate case:

1. **“Range of Reasonableness” for Customer Rates:** The Phase 1 Decision adopted a “range of reasonableness” for end user rates of \$30 to \$37. D.14-12-084 at 102 (OP 9). The Phase 2 Ratemaking Decision modified the “range of reasonableness” to reflect a range of “all-

1 inclusive” basic residential rates of \$30 to \$40. D.21-06-004 at 42 (OP 3). This decision defines
2 the “all-inclusive” residential basic service rate to include “[a]ll telephone access charges,
3 including the Subscriber Line Charge,” all Commission-mandated public policy fund surcharges,
4 the 911 surcharge, and the CPUC user fee. D.21-06-004 at 41 (OP 1).

5 **2. Operating Expense Caps:** The Phase 1 Decision applied the FCC’s corporate
6 expense cap to intrastate ratemaking, even though that mechanism was created strictly for federal
7 high-cost support purposes. D.14-12-084 at 100-101 (OPs 2-3). Based on the Phase 1 Decision,
8 corporate expenses were presumed to be limited to the formulaic output of the cap, but the
9 imposition of this limitation could be rebutted with evidence showing that a level of expense
10 above the cap would be reasonable. *Id.* at 28-29. In the Phase 2 Ratemaking Decision, the
11 Commission confirmed the imposition of the corporate expense cap, but removed the rebuttable
12 presumption, making the cap “non-rebuttable.” D.21-04-006 at 43 (OP 6). In addition, the
13 Commission adopted another FCC expense limitation, the “operating expense limitation,” as a
14 non-rebuttable restriction on overall intrastate operating expenses. *Id.* at 43 (OP 7). As to both
15 the corporate and operating expense limits, the Commission stated that it would consider
16 authorizing funding above these limits for “situations, such as wildfire dangers and public safety
17 power shutoffs, that may cause the Small ILECs to incur additional expenses.” *Id.* at 27. In
18 adopting these rigid expense limitations, the Commission also foreclosed separate recovery of rate
19 case expense, which means Ponderosa must adjudicate this case without any support from its
20 rates, high cost support, or other regulated revenues. *Id.* at 24 (“we clarify that rate case litigation
21 expense is subject to the corporate expense cap and must be recorded in FCC Account 6720”).¹³

22 **3. Rate Base Calculations Using NECA Cost Study:** The Phase 2 Ratemaking
23 Decision requires the use of the most recent National Exchange Carrier Association (“NECA”)

25 ¹³ The Commission’s treatment of rate case expense is at odds with constitutional requirements, as
26 articulated by the United States Supreme Court. As the Supreme Court has found, in a “proceeding by a
27 commission to determine [the] reasonableness” of regulated utility rates, “the utility should be allowed the
28 fair and proper expenses for presenting its side to the commission.” *Driscoll v. Edison Light & Power Co.*,
307 U.S. 104, 120-121 (1939); *see also West Ohio Gas Co. v. Public Utilities Comm’n of Ohio*, 294 U.S.
63, 73-74 (1935) (invalidating utility rate structure that did not provide recovery for rate case expense).

1 cost study as the “starting point” for its proposed rate base for its test year, subject to reasonable
2 adjustments for changes that have occurred since the date of the NECA cost study, including plant
3 additions and retirements.¹⁴ *Id.* at 44 (OP 10), 40 (COLs 9-10). The NECA cost study is also the
4 source of the jurisdictional factors used in each company’s rate case. *Id.* at 43 (OP 8).

5 **4. Broadband Imputation:** The Phase 2 Broadband Imputation Decision requires
6 the imputation of Internet access revenues as a reduction to CHCF-A support. The imputation
7 mechanism encompasses “all reasonable positive retail broadband-related revenues” of the small
8 independent telephone corporation’s ISP affiliate “for the calendar year immediately preceding the
9 filing of the GRC application.” D.21-04-005 at 23-24 (OP 1). The imputed broadband revenues
10 shall not include “revenues derived from areas outside of the Small ILEC’s telephone service
11 territory and revenues resulting from alternative service platforms that are not based upon the
12 Small ILEC’s local exchange facilities.” *Id.*

13 The Commission’s decisions in the CHCF-A proceeding also address other ratemaking
14 issues, including confirming the treatment of license and lease revenue under NECA Reporting
15 Guideline 8.3, establishing the factors to evaluate investments in broadband-capable facilities, and
16 confirming the conditions under which reductions in federal funding can be recovered. *See* D.21-
17 04-006 at 42 (OP 4); D.14-12-084 at 62, 71. Ponderosa will discuss these additional standards to
18 the extent that they are relevant to its proposals.

19 **III. PONDEROSA’S RATEMAKING PROPOSAL.**

20 Ponderosa’s ratemaking proposal is consistent with the Commission’s directives, including
21 the requirements in Phases 1 and 2 of the CHCF-A proceeding. Although Ponderosa believes that
22 some of the Commission’s policies violate statutory and/or constitutional requirements, and
23 Ponderosa reserves all rights with respect to those issues, it has followed the Commission’s
24 directives in crafting its proposed revenue requirement and rate design. If the Commission’s
25

26 ¹⁴ NECA is an independent association that performs certain administrative, tariffing, and interstate
27 ratemaking functions on behalf of the FCC. *See* 47 C.F.R. § 69.601. Among other duties, NECA collects
28 cost information from rural telephone companies for use in computing interstate revenue requirements and
determining eligibility and the extent of companies’ needs for federal high-cost support.

CHCF-A Phase 2 requirements are annulled or modified in the future, Ponderosa will seek an appropriate adjustment to its ratemaking calculations.

A. Revenue Requirement.

Consistent with statutory and constitutional ratemaking standards, Ponderosa’s revenue requirement includes: (1) operating expenses, as limited by the corporate expense cap and operating expense limitation; (2) return on rate base, with a rate of return computed using the Commission’s prescribed cost of capital of 8.44%; and (3) tax liabilities, using the current corporate tax rates.¹⁵ The following equation summarizes Ponderosa’s revenue requirement:

Revenue Requirement = Operating Expenses + (Cost of Capital x Rate Base) + Tax

Ponderosa’s revenue requirement is reasonable, prudent, and accurate as a measurement of the costs it is likely to experience in test year 2024—within the parameters of the Commission’s restrictions on corporate and operating expenses. The extensive testimonial and documentary evidence supplied with this Application amply demonstrates the reasonableness of Ponderosa’s costs for the test year. The composite result of these costs is Ponderosa’s intrastate revenue requirement of \$13,653,876, which should be adopted as the revenue target for its 2024 rate design. The following discussion addresses the components of the revenue requirement.

1. Ponderosa’s Intrastate Operating Expenses Are Computed Using the Expense Caps Adopted in Phase 2 of the CHCF-A Proceeding, With Appropriate Inflationary Adjustments to Grow the Historical Caps Into the 2024 Test Year.

Based on constitutional and statutory ratemaking standards, Ponderosa is entitled to recover its reasonable operating expenses in connection with providing regulated local exchange

¹⁵ See Pub. Util. Code § 275.6(b)(5) (“revenue requirement” means “amount that is necessary for a telephone corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of return on its rate base.”); see also Pub. Util. Code § 275.6(c)(2) (summarizing the function of revenue requirement, including ensuring “revenues and earnings sufficient to allow the telephone corporation to deliver safe, reliable, high-quality voice communication service” and “afford the telephone corporation a fair opportunity to earn a reasonable return on its investments.”); *Hope Natural Gas*, supra, 320 U.S. at 603 (emphasizing constitutional requirement to ensure “financial integrity” of the utility in ratemaking); *Calaveras Telephone Co. v. Pub. Util. Comm’n*, 39 Cal.App.5th 972, 976 (2019) (“revenue requirement is the amount a telephone corporation needs to recover its ‘reasonable expenses and tax liabilities and earn a reasonable rate of return on its rate base,’ i.e., investments”).

1 service. Pub. Util. Code § 275.6(b)(5). However, rather than evaluating the reasonableness and
2 prudence of Ponderosa’s specific expenses, the Commission has chosen a formulaic approach to
3 identify recoverable expenses. First, the Commission has directed small independent telephone
4 corporations to “adhere to the [FCC’s] standards for operating expense limits in their General Rate
5 Cases.” D.21-06-004 at 43 (OP 7). Second, the Commission requires that the companies apply
6 the FCC’s “corporate expense cap.” *Id.* at 43 (OP 6). Neither of these federal restrictions on
7 recoverable expenses were designed to apply to intrastate operations, and their imposition on
8 intrastate expenses results in arbitrary exclusions of expenses that are necessary for Ponderosa to
9 provide regulated telephone service in California. These caps do not account for the high cost of
10 living in California or the intensive regulatory environment in which Ponderosa operates.
11 Nevertheless, the Commission has deemed these limitations to be “non-rebuttable” such that
12 “expenses above those limits will be considered unreasonable.” *Id.* (OPs 6-7).

13 Despite Ponderosa’s objections to the use of these arbitrary expense caps, Ponderosa has
14 faithfully applied them in the calculations of intrastate operating expenses and corporate expenses
15 for test year 2024. These limitations are calculated on a “total company” basis, and then the total
16 expenses are subjected to the separations process, ensuring that only the capped intrastate
17 expenses are included in Ponderosa’s ratemaking calculations. Ponderosa’s actual intrastate
18 corporate expenses for 2024 are anticipated to be \$1,456,987, whereas the corporate expense cap
19 restricts the recoverable portion of those expenses to \$1,330,032.¹⁶ Ponderosa’s actual intrastate
20 operating expenses for 2024 are expected to be \$10,130,997, whereas Ponderosa’s total operating
21 expenses are \$17,061,033.

22 In computing the expense caps, Ponderosa has applied appropriate inflationary adjustments
23

24 ¹⁶ Ponderosa notes that these figures include an estimate of rate case expense, reflecting the reasonably-
25 anticipated cost of this regulatory process, amortized over a three-year period. By applying the expense
26 caps without any adjustment, the Commission has systematically excluded recovery of this critical expense,
27 forcing Ponderosa to navigate this costly process without support. This result is contrary to standard rate-
28 of-return regulatory principles across utility sectors, which recognize rate case expense as a reasonable
expense. *See* D.96-12-074 at 12-13; D.14-12-038 at 13-14; D.05-08-004 at 18-19; and D.16-07-003 at 50-
51.

1 to ensure that the outputs of the formula match the 2024 test year as opposed to the historical time
2 periods from which the formulas are derived. Both the corporate expense cap and the operating
3 expense limitation are inherently backward-looking metrics, as both are applied in the context of
4 NECA cost studies, which rely on two-year-old expense data. *See* 47 C.F.R. §§ 54.1305 (noting
5 that NECA cost studies are submitted on July 31st and rely on data from the previous calendar
6 year), 54.1307 (NECA provides October 1 submission to establish federal support for upcoming
7 year), 54.1308(a)(4) (applying corporate expense cap to historical cost study data), 54.303
8 (applying operating expense limitation “for purposes of calculating universal service support”).
9 The Commission has recognized this disconnect, noting that “[t]o adjust the operating expense cap
10 with a future test year, NECA’s inflation factor should be added to the FCC’s operating expense
11 cap to true-up the historical data.” D.21-06-004 at 27; *see also* D.19-04-017 at 74 (“Foresthill’s
12 higher adjusted price per loop is appropriate for the test year as it accounts for the two-year lag
13 between when costs are reported to NECA for HCLS and a NECA-provided inflation factor.”).

14 To ensure that the expense caps align with the test year, three years of inflationary figures
15 must be applied to the historical expense caps. As of the date of this filing, Ponderosa’s most
16 recent NECA cost study is the submission made to NECA in July 2022, which will inform the cost
17 determinations that NECA makes in connection with setting Ponderosa’s HCLS for 2023 based on
18 costs incurred in 2021. The cost study submitted in July 2022 relies on expense data from 2021,
19 consistent with FCC rules. *See* 47 C.F.R. § 54.1305. The NECA inflationary factor, which will
20 be released in its October 1 submission to the FCC, will update the expense caps to match the
21 2021 data that Ponderosa submitted with its cost study. However, to properly reflect 2024
22 expenses, it must be updated for three years of inflation to account for increased expenses during
23 2022, 2023, and 2024. The details reflecting these adjustments are set forth in Mr. Duval’s
24 testimony.

25 While Ponderosa does not agree with the use of these formulaic expense caps for the 2024
26 test year, the Commission should ensure that the efficiency objectives underlying this mechanical
27 approach are realized in this case. Based on the characterization of these caps as “non-rebuttable”
28 and the Commission’s stated goal of using the expense caps to “streamline the GRC process,”

1 there should be no debate in this proceeding over the appropriate level of Ponderosa’s expenses.
2 D.21-06-004 at 34. The Commission should simply apply the formulas and adopt the resulting
3 figures, subject to the inflationary adjustments noted above. Importantly, the Commission
4 expressed an expectation that the use of these caps would “eliminate or reduce the number of data
5 requests that are generally provided during a typical GRC.” *Id.* at 27. In Ponderosa’s most recent
6 rate case, Cal Advocates propounded dozens of detailed data requests addressing expenses, greatly
7 increasing Ponderosa’s rate case expense. The Commission should establish procedures to avoid
8 this result here, consistent with its reasoning behind the expense caps.

9 **2. Ponderosa’s Depreciation Expense Is Backed by a Depreciation Study**
10 **Reflecting Established Methods for Measuring the Diminution in Value**
 of Ponderosa’s Plant Over Time.

11 As part of the “reasonable expenses” included in Ponderosa’s revenue requirement,
12 Ponderosa expects to experience \$3,360,985 in intrastate depreciation expense during the test year.
13 Pub. Util. Code § 275.6(b)(5) (authorizing inclusion of all “reasonable expenses” in revenue
14 requirement). Consistent with federal regulations, this figure reflects the “loss not restored by
15 current maintenance, incurred in connection with the consumption or prospective retirement of
16 telecommunications plant in the course of service” 47 C.F.R. § 32.9000. The inevitable
17 diminution in the value of plant over time reduces a utility’s rate base and produces a
18 corresponding depreciation expense for the test year. Both impacts have been incorporated into
19 Ponderosa’s revenue requirement calculations.

20 Mr. Huckaby has conducted a comprehensive depreciation study to determine the
21 remaining useful life of Ponderosa’s assets and the rate at which those assets are losing value.
22 Pursuant to FCC rules and Commission precedent, the study computes depreciation “in conformity
23 with a group plan of accounting.” 47 C.F.R. § 32.2000(g)(1). This “group plan” is a “mass asset”
24 depreciation method, by which assets with common characteristics are evaluated collectively to
25 identify the rate at which each “class” of assets loses value. The “classes” of assets used in the
26 calculation are defined by the plant accounts in the FCC’s Uniform System of Accounts
27 (“USOA”), which is codified at Part 32 of the FCC’s rules. *See* 47 C.F.R., Subpart C, § 32.2000,
28 *et seq.* Mr. Huckaby has analyzed the useful life of Ponderosa’s assets in each of these categories

1 and has projected the effects of depreciation on the assets up to and including the test year. The
2 depreciation study also accounts for anticipated plant additions and retirements through the end of
3 2023, the year before the test year.

4 The depreciation rates and lives stemming from Mr. Huckaby's study are set forth in
5 Exhibit NH-1 to his testimony. These same rates are replicated in Exhibit A to this Application
6 for ease of reference. Ponderosa asks that these modified rates be adopted and that the resulting
7 depreciation expense of \$3,360,985, after adjustments, be included in its intrastate revenue
8 requirement.

9 **3. Ponderosa's Rate Base Reflects Historical Net Plant Figures Combined**
10 **with Critical Plant Additions Necessary to Satisfy Forward-Looking**
11 **Customer Demand, Comply with Regulatory Requirements, Promote**
Network Resiliency, and Fulfill State Universal Service Policy
Objectives.

12 Rate base consists of the net, depreciation-adjusted value of the assets that a company has
13 dedicated to public service combined with the reasonably foreseeable value of plant additions
14 needed during the test year. *Pacific Tel. & Tel. Co. v. Pub. Util. Comm'n*, 62 Cal.2d 634, 644-645
15 (1965) (rate base is the "value of property devoted to public use" less depreciation). In exercising
16 its ratemaking authority, the Commission must take steps to "[p]romote customer access to
17 advanced services and deployment of broadband-capable facilities in rural areas" Pub. Util.
18 Code § 275.6(c)(5). By law, the Commission must "[i]nclude all reasonable investments
19 necessary to provide for . . . the deployment of broadband-capable facilities in the rate base of
20 small independent telephone corporations." Pub. Util. Code § 275.6(c)(6). In computing rate
21 base, the Commission must also approve investments that are "reasonably necessary to provide
22 regulated voice services and access to advanced services." Pub. Util. Code § 275.6(b)(2); *see also*
23 Pub. Util. Code § 275.6(c)(2) (requiring the Commission to employ rate-of-return regulation to
24 provide for safe, reliable, high-quality voice service).

25 Consistent with this Legislative and regulatory policy direction, Ponderosa is pursuing
26 significant Fiber to the Premises ("FTTP") upgrades to equip its network with enhanced
27 resiliency, additional broadband capabilities, and forward-looking scalability to enable safe,
28

1 reliable voice service and an evolving level of access to advanced services. These investments are
2 essential for meeting current and forward-looking customer needs and to comply with current and
3 forward-looking regulatory requirements. *See* D.14-12-084 at 96 (COL 17) (permitting
4 “reasonable investments necessary to provide for the delivery of high-quality voice
5 communication services and the deployment of broadband-capable facilities in . . . rate base.”).
6 Ponderosa’s proposed FTTP investments will enhance broadband capabilities and provide for
7 more reliable voice connections, so they are appropriate for inclusion in rate base in accordance
8 with statutory directives.

9 State and federal policy support Ponderosa’s planned broadband-capable investments as
10 part of an effort to bridge the “digital divide.” *See* Pub. Util. Code § 709(d) (expressing California
11 policy of bridging the “digital divide” by “encouraging expanded access to state-of-the-art
12 technologies for rural . . . Californians.”). As the FCC has explained, “access to 25/3 Mbps
13 broadband service is not a luxury for urban areas, but important to Americans wherever they
14 live.”¹⁷ Ponderosa’s FTTP expansion advances California’s and the FCC’s important policy
15 objectives, anticipates future broadband requirements, and addresses forward-looking customer
16 needs. Moreover, both federal and state policy are moving toward a goal of 100 Mbps download
17 as the new minimum broadband capability objective.¹⁸

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20 ¹⁷ *ETC Reform Order* at ¶ 3; *see also In the Matter of Inquiry Concerning Deployment of Advanced*
21 *Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket No. 20-
22 269, *Fourteenth Broadband Deployment Report*, FCC 21-18 (rel. Jan. 19, 2021) (“*2021 Broadband*
Deployment Report”) at ¶¶ 4, 9 (despite significant improvements, “it remains the case that rural and Tribal
areas continue to lag behind in broadband deployment” and “our work to close the digital divide is not
complete”).

23 ¹⁸ *See* Governor Newsom Executive Order N-73-20 (“[D]eploying affordable and reliable broadband
24 networks throughout California will accelerate continuous improvements in economic and workforce
25 development, infrastructure, public safety, education, economy, and an engaged citizenry.”); Pub. L. 117-
26 58 (2021), § 60102 (federal infrastructure legislation defined “underserved” areas to be those with speeds
27 of less than 100 Mbps download and 20 Mbps upload for the purpose of broadband grant proposals); *see*
also 47 U.S.C. § 1702. In 2021, a bipartisan group of Senators also urged the FCC to update its minimum
broadband speed capability requirements to 100/100 Mbps symmetrical. *See* March 4, 2021 Letter from
Senators Bennet/King/Portman/Manchin to FCC at 1. (available at
https://www.bennet.senate.gov/public/_cache/files/c/7/c76028fb-488d-498e-8506-7d8a2dce3172/05DDC9148CC7F12A9F09235F77BB7A0D.bipartisan-broadband-speed-letter.pdf).

1 Currently, the FCC conditions federal high-cost funding upon the fulfillment of broadband
2 deployment objectives for “Eligible Telecommunications Carriers” like Ponderosa, including
3 meeting minimum broadband speed standards of 25 Mbps download and 3 Mbps upload. *ETC*
4 *Reform Order* at ¶¶ 3, 101. As minimum speed capability thresholds increase to 100 Mbps and
5 beyond, only fiber investments will allow Ponderosa to satisfy regulatory demands and customer
6 needs. Failing to make the necessary FTTP investments would likely result in reductions in
7 federal support for non-compliance with Ponderosa’s forward-looking ETC obligations. *See* 47
8 C.F.R. § 54.313(f)(1)(i) (summarizing certification that ETCs must make that they are “taking
9 reasonable steps” to fulfill requests for service at FCC-specified levels); *see also* 47 C.F.R. §
10 54.320 (imposing penalties for falling short of build-out milestones). Such reductions would put
11 further strain on other intrastate revenue sources to fulfill Ponderosa’s revenue requirement,
12 including end user revenues and the CHCF-A. *See* Pub. Util. Code § 275.6(c)(4) (CHCF-A must
13 “supply the portion of the revenue requirement that cannot reasonably be provided by the
14 customers . . . after receipt of federal universal service rate support.”).

15 Ponderosa’s FTTP projects and network upgrades also address the factors set forth in the
16 Phase 1 CHCF-A decision for evaluating broadband capable network investments—including
17 regulatory requirements, customer demand, network redundancy, public safety, service quality,
18 and the presence of anchor institutions. D.14-12-084 at 71, 102 (OP 10). An FTTP architecture
19 will position Ponderosa to meet forward-looking demand as speed requirements continue to
20 advance. As Ponderosa’s witnesses explain, its FTTP investments will provide critical social,
21 economic, educational, network redundancy, public safety and enhanced service quality benefits,
22 consistent with findings identified in Governor Newsom’s Executive Order N-73-20, which
23 states, “[D]eploying affordable and reliable broadband networks throughout California will
24 accelerate continuous improvements in economic and workforce development, infrastructure,
25 public safety, education, economy, and an engaged citizenry.”). These benefits are especially
26 critical now as many of Ponderosa’s customers need robust broadband services for distance
27 learning, remote work and telehealth. In Ponderosa’s rural service territory where wireless is
28 spotty and Ponderosa is the only reliable wireline willing to serve the whole service territory,

1 Ponderosa’s broadband-capable network was already essential. The omnipresent threat of
2 wildfires and the COVID-19 pandemic only underscored this reliance, making it essential that
3 Ponderosa has the tools to continue investing in its service area. *See id.* (noting that “the COVID-
4 19 pandemic has amplified the extent to which broadband is essential for public safety, public
5 health, and economic resilience.”); *2021 Broadband Deployment Report* at ¶1 (“With many jobs,
6 schools, and healthcare services shifting to virtual environments in the wake of the ongoing
7 COVID-19 pandemic, the need to deliver broadband connectivity across America has never been
8 greater.”).

9
10 **4. Ponderosa’s Revenue Requirement Includes a Return on Rate Base
Using the Current Commission-Adopted Cost of Capital for Ponderosa.**

11 The “return on rate base” component of Ponderosa’s revenue requirement is computed by
12 multiplying Ponderosa’s rate base by the overall cost of capital percentage established for
13 Ponderosa in D.16-12-035. *See* Pub. Util. Code § 275.6(b)(5) (recognizing “return on rate base”
14 as a revenue requirement element); D.16-12-035 at 58 (OP 1(g)) (adopting an 8.44% cost of
15 capital for Ponderosa). Ponderosa, along with the other nine Independent Small LECs, have filed
16 a separate application to determine a new cost of capital, which Ponderosa expects to be
17 implemented in its 2024 test year.¹⁹ Until that new cost of capital is established, Ponderosa will
18 continue to use its existing percentage of 8.44%.

19 Ponderosa notes that the investment component of Ponderosa’s revenue requirement
20 includes only a “return on rate base,” as authorized by the governing statute. *See* Pub. Util. Code
21 § 275.6(b)(5). Neither Ponderosa’s overall revenue requirement nor any of the individual
22 components of the revenue requirement “pay for” investments. Rather, investment capital is
23 supplied by the company either from retained earnings or from loans. Revenue requirement
24 includes only a return on rate base, not capital contributions themselves.

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¹⁹ *See* A.22-09-003.
28

1 **5. Ponderosa’s Tax Liabilities Are Computed Based on Its Anticipated**
2 **Return on Rate Base Using an Established Tax Gross-Up Methodology.**

3 Ponderosa’s revenue requirement must include a reasonable forecast of the tax liabilities
4 that it expects to experience during the test year. Pub. Util. Code § 275.6(b)(5) (revenue
5 requirement must include “reasonable . . . tax liabilities”). Unlike operating expenses, tax
6 liabilities are not subject to any overall cap, and they are computed as a straightforward function
7 of the net income reflected in the company’s intrastate results of operations. Based on its
8 intrastate rate base of \$30,616,174 and the Commission-approved cost of capital of 8.44%,
9 Ponderosa would generate \$2,584,005 in intrastate net income during 2024 under its proposal.
10 Using the current federal corporate tax rate of 21%, the California corporate tax of 8.84%, and
11 accounting for appropriate tax deductions, Ponderosa’s 2024 intrastate tax liabilities are
12 anticipated to be \$938,874, including the amortization of excess deferred income taxes. *See* 26
13 U.S.C. § 11 (imposing current federal corporate tax rate is 21%); Rev. & Tax Code § 23151(e)
14 (imposing 8.84% California corporate tax rate).

15 Consistent with Commission precedent, Ponderosa has implemented the tax component of
16 its revenue requirement by applying a “tax gross up” to its return on rate base. This “gross up”
17 applies a composite income tax factor of 27.98%, which equates to a “Net to Gross Multiplier” of
18 1.3886, to Ponderosa’s anticipated 2024 pre-tax net income to determine the amount by which this
19 income would have to increase to pay the taxes attendant to this level of income. The same
20 approach was approved in each of Ponderosa’s previous rate cases and is shown in Exhibit CD-1
21 to Mr. Duval’s testimony.

22 While Ponderosa’s proposal uses the current federal and California tax rates, it is possible
23 that these rates will increase during the pendency of this rate case. Ponderosa has not quantified
24 the effects of any possible tax increases, but if changes to federal or state taxes occur, appropriate
25 adjustments to revenue requirement should be made as a part of this rate case and/or another
26 expeditious vehicle. When the corporate tax rate was reduced from 34% to 21% in the *Tax Cuts*
27 *and Jobs Act*, effective January 1, 2018, the Commission acted quickly to reduce Ponderosa’s
28 revenue requirement for this new impact. *See* Res. T-17618 at 8 (OP 1-3), Appendix A (reducing

1 Ponderosa’s annual revenue requirement and CHCF-A draws by \$292,535 from the amounts
2 adopted in its rate case); Res. T-17730 at 8 (OP 1-3). The same approach is required if the tax
3 rates move in the other direction. Ponderosa will inform the Commission as soon as reasonably
4 possible if it becomes aware of an imminent change to a tax rate that would impact this case.

5 **B. Rate Design.**

6 **1. Proposed Rates**

7 Ponderosa’s proposal to maintain end user rates at current levels is consistent with the
8 Commission’s mandate to maintain “just and reasonable rates” that are “reasonably comparable”
9 to urban rates. Pub. Util. Code § 275.6(c)(3). Ponderosa proposes to retain its tariffed residential
10 basic rate at \$25.00, which corresponds to an “all inclusive” basic residential rate of \$35.91,
11 inclusive of surcharges and fees. D.21-06-004 at 42 (OP 3) (adopting a “range of reasonableness”
12 of \$30.00 to \$40.00 and defining the “all-inclusive” rate). This rate is consistent with the
13 Commission’s recent determination of rate reasonableness for small telephone companies, and
14 Ponderosa’s rates should be at the lower end of the range based on the price sensitivities for
15 customers in Ponderosa’s low to middle-income service territory. Ponderosa also proposes to
16 keep its business rate at \$37.10 per month.

17 Ponderosa opposes increases to its basic service residential rates or business rates for test
18 year 2024 because its customers already pay some of the highest rates in the country and further
19 increases would greatly harm its residential customers and small businesses who are struggling to
20 survive in poor economic conditions, with high inflation and enduring concerns about COVID-19.
21 Many residents are on fixed or limited incomes, and the local economy is not strong and still
22 struggling to recover from the COVID-19 pandemic. Ponderosa’s local businesses are also having
23 a difficult time surviving in Ponderosa’s remote, rural service area. Any rates higher than
24 Ponderosa’s proposed rates would likely drive significant numbers of customers off the network,
25 thereby putting further rate pressure on the customers who remain and on other funding sources
26 like the CHCF-A.

1 **2. Ponderosa’s Intrastate Access Inter-carrier Compensation Calculations**
2 **Reflect Reasonable Forecasts of Demand and Anticipated Reductions**
3 **in Revenue Based on Federal Law.**

4 The second component of rate design is inter-carrier compensation revenue. This revenue
5 category encompasses three principal types of revenue: (1) terminating switched access and
6 access replacement revenue; (2) originating switched access revenue; and (3) special access
7 revenue. Ponderosa has separately calculated each of these elements and included the combined
8 total as “Intrastate Access Revenues” in the rate design.

9 Terminating switched access and the corresponding replacement revenue are fixed inputs
10 determined according to formulas in FCC regulations. *See In the Matter of Connect America*
11 *Fund*, WC Docket No. 10-90, *Report an Order and Further Notice of Proposed Rulemaking*, FCC
12 11-161 (rel. Nov. 18, 2011) (“*USF/ICC Transformation Order*”) at ¶ 899. As part of the
13 sweeping inter-carrier compensation reforms in 2011, the FCC prescribed the amount of interstate
14 and intrastate revenue that carriers will derive from terminating access services. Starting in 2012,
15 the FCC began an annual phase-down in terminating access revenue, moving local switching rates
16 to “bill and keep” as of July 1, 2020. *Id.* at ¶ 801. To mitigate the effects of these reductions in
17 rates, the FCC instituted two access replacement mechanisms: (a) the Access Recovery Charge
18 (“ARC”), which is charged to end users, subject to a limitation for residential customers whose
19 overall rates are lower than \$30.00 “inclusive” of specified taxes, fees, and surcharges;²⁰ and (b)
20 Connect America Fund Inter-carrier Compensation (“CAF-ICC”), a federal funding source. *See*
21 C.F.R. §§ 51.917(b)(2) (defining “expected revenues”); 51.917(d) (defining “eligible recovery”);
22 51.917(e) (explaining ARC mechanics); 51.917(f) (identifying CAF-ICC eligibility and
23 calculations).

24 While these terminating access revenues are provided by a mix of funding sources, they
25 are subject to an overall calculation that obviates the need to separately compute them. The FCC
26 has imposed a 5% annual phase-down on the collective total of ARC and CAF-ICC, so the most

27 ²⁰ The ARC can only be charged to residential customers to the extent that it does not cause residential
28 “inclusive” rates to exceed \$30.00. This cap does not apply to business customers.

1 accurate way to calculate the “terminating access” revenue is to start with the “eligible recovery”
2 from the most recent year and apply a 5% reduction in funding for each subsequent year. 47
3 C.F.R. § 51.917(d) (outlining annual phase-down in “eligible recovery”). The FCC uses a fiscal
4 year for those calculations, so the impacts must be calculated separately for the first six months of
5 the test year and the second six months of the test year. The most recent historical “eligible
6 recovery” figure is for the 2021-2022 fiscal year, ending on June 30, 2022. To compute the
7 terminating access figure for the test year, Ponderosa has multiplied the 2021-2022 figure by 95%
8 and then multiplied it again by 95% to arrive at the figure for 2022-2023. Ponderosa has then
9 multiplied the resulting figure by 95% a third time to derive the 2023-2024 figure. The final step
10 is to average the two fiscal year figures that overlap with the test year, resulting in \$149,281 in
11 terminating access for the 2024 test year and is shown in Exhibit CD-1 to Mr. Duval’s opening
12 testimony.

13 The originating access and special access components of the revenue are calculated
14 separately from terminating access and the access replacement mechanisms. These elements are
15 based on the demand for those services. Ponderosa has measured the current demand for those
16 services over a 5-year period, and projected the result into the test year, for a total of \$85,386 for
17 originating access and \$96,336 in intrastate special access. The combination of these two figures
18 with the terminating access figure results in overall intercarrier compensation/access revenue of
19 \$331,003.

20 **3. Ponderosa’s HCLS Revenues for 2024 Have Been Computed Using the**
21 **Best Available Information, Subject to Adjustment Using the NECA**
Figures Released in October 2022.

22 Ponderosa’s rate design includes a forecasted HCLS figure for test year 2024 in
23 accordance with federal regulations and longstanding Commission precedent. HCLS is a federal
24 funding source, but it supports intrastate operations, so it is appropriate for inclusion in intrastate
25 rate design. HCLS is “deducted from state expenses” and “added to interstate expenses.” 47
26 C.F.R. § 54.1301(a). This effectuates a dollar-for-dollar recovery of intrastate costs that would
27
28

1 otherwise have to be supported by end user rates or CHCF-A.²¹ The Commission has consistently
2 recognized this effect and has incorporated HCLS in the revenue section of “Results of
3 Operations” tables in dozens of rate cases over the past three decades, including Ponderosa’s past
4 three rate cases.²²

5 HCLS funding for any given year is based on a comparison between the company’s
6 average local “loop” costs for *two years prior* and a frozen “national average cost per loop.” *See*
7 47 C.F.R. §§ 54.1310(a) (explaining “loop cost” comparison), 54.1305 (noting vintage of loop
8 cost data as “the calendar year preceding each July 31st filing” with NECA). In performing the
9 HCLS calculations, NECA also makes certain adjustments to fit within the FCC’s budgetary
10 parameters, resulting in funding reductions through the “pro rata adjustment” and “budget control
11 mechanism.” *See* 47 C.F.R. §§ 54.1310(b), 54.1310(d).

12 Ponderosa’s HCLS calculation applies FCC regulations to the anticipated loop costs used
13 in setting the 2024 HCLS figure. Because the HCLS algorithm relies on data that is two years
14 prior to the year in which HCLS is to be received, Ponderosa has projected its 2022 loop costs
15 based on forecasted data for 2022. It has compared these costs to the frozen “national average cost
16 per loop” and applied the anticipated “pro rata” and “budget control” features to the resulting
17 figure to produce a forecast of Ponderosa’s HCLS for 2024.

18 Based on the best available information as of the date of this filing, HCLS for the 2024 test
19 year is estimated to be \$3,795,998. However, a more precise figure for 2024 will be released on or
20 about October 1, 2023, when NECA provides its calculation of HCLS based on its review of the
21 HCLS data submission that is based on 2022 cost data and its determination of the final
22 inflationary factor to be applied to corporate operations expenses. To ensure that the rate design is
23 accurate for the test year, the Commission should substitute the October 2023 NECA figure for the

24
25 ²¹ No other federal high-cost support mechanism supports intrastate expenses. For carriers who have
26 selected Alternative Connect America Cost Model (“A-CAM”) support, which replaces HCLS and parallel
27 interstate funding sources, a different calculation is required. Ponderosa does not receive A-CAM and is
not eligible to receive A-CAM support, so HCLS is the only federal high-cost support fund that contributes
to Ponderosa’s intrastate rate design.

28 ²² Res. T-16806, App. C, Line 3; Res. T-17132, App. C, Line 3; D.16-10-001, App. 2, Line 4.

1 number in this Application and make corresponding adjustments to CHCF-A. In its annual
2 CHCF-A adjustment process, the Commission relies on these NECA figures annually to set
3 CHCF-A support amounts for Ponderosa and other small independent telephone corporations, and
4 the NECA figures are not subject to reasonable dispute. *See* D.91-09-042, Appendix at 2
5 (acknowledging that annual adjustments for “regulatory changes of industrywide effect include
6 “changes in levels of interstate high cost funding”); *see also, e.g.*, Res. T-17758, Appendix A
7 (Line 5 for each company reflecting “net interstate expense adjustment”). Therefore, they should
8 be incorporated into the rate design with appropriate downward or upward adjustments to CHCF-
9 A depending on whether NECA’s figure is higher or lower than anticipated. To the extent that
10 HCLS fluctuates in the test year, those adjustments should be addressed as non-recurring impacts
11 in Ponderosa’s 2024 CHCF-A filing, consistent with the rules governing CHCF-A annual filings.
12 *See* D.91-09-042, Appendix at 2-4.

13 **4. Ponderosa’s Miscellaneous Revenue Calculations Reflect NECA**
14 **Guidance and Commission Precedent.**

15 “Miscellaneous revenues” refer to a category of regulated revenues that are not covered by
16 other categories, but which are assigned to the intrastate jurisdiction. These revenues include
17 amounts from licenses or leases of regulated facilities, billing and collection services, directory
18 listings, uncollectibles, and other activities specifically identified in the FCC’s rules. *See* 47
19 C.F.R. §§ 32.5200, 32.5230, 32.5300. These figures are derived from 2022 forecasted revenues in
20 each of these categories, subject only to limited adjustments where it is apparent that certain
21 revenues will no longer be available in 2024.

22 Ponderosa is aware of the Commission’s recent interest in license and lease revenue. *See*
23 D.21-06-004 at 42-43 (OP 5); *see also* D.22-02-027, Appendix A (modifying disclosure
24 requirements in D.21-06-004). Ponderosa has populated the Commission’s requested spreadsheet
25 addressing licenses and leases, as discussed below in Section IV(N).

1 **5. CHCF-A Fulfills a Residual Role in Rate Design, Supplying the**
2 **Additional Revenue Necessary to Meet Ponderosa’s Revenue**
3 **Requirement.**

4 CHCF-A provides the final component of the rate design, reflecting the last step in the
5 Commission’s implementation of rate-of-return regulation. It is computed on a residual basis,
6 after all other intrastate funding sources have been estimated for the test year. CHCF-A must be
7 supplied in an amount necessary to recover “the portion of the revenue requirement that cannot
8 reasonably be provided by the customers of each small independent telephone corporation after
9 receipt of federal universal service rate support.” Pub. Util. Code § 275.6(c)(4); *see also* Pub.
10 Util. Code § 275.6(a) (reflecting Legislative judgment that CHCF-A be supplied in amounts
11 sufficient to meet revenue requirement to advance “the state’s universal service commitment to the
12 continued affordability and widespread availability of safe, reliable, high-quality communications
13 services in rural areas of the state.”). CHCF-A is not subject to a source-specific “reasonableness”
14 review; by definition, it is reasonable and “not excessive” if it equals the difference between a
15 “small independent telephone corporation’s” revenue requirement and the combined value of all
16 other regulated intrastate funding sources. *See* Pub. Util. Code § 275.6(c).

17 Ponderosa’s CHCF-A computation is straightforward and follows statutory guidance and
18 longstanding Commission precedent in implementing the CHCF-A program. Ponderosa’s revenue
19 requirement is \$13,653,876, and the combined total of end user revenue, HCLS, intercarrier
20 compensation, and intrastate miscellaneous revenue for the test year is \$6,969,832. The difference
21 is <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>>, which is the CHCF-A
22 to which Ponderosa is entitled for the test year, prior to the application of broadband imputation.

23 Ponderosa acknowledges that the Commission has ordered a further adjustment to CHCF-
24 A through broadband imputation. Neither Public Utilities Code Section 275.6 nor any other
25 statute authorizes this additional adjustment, and its effect is to create a revenue shortfall of
26 <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>> for Ponderosa, contrary to
27 express statutory directives that a small independent telephone corporation’s rate design must
28 equal its revenue requirement. Pub. Util. Code §§ 275.6(c)(2), 275.6(c)(4). As noted above,
Ponderosa is challenging the legality of broadband imputation, and, if successful, the CHCF-A for

1 the test year should be <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>>.

2 However, because broadband imputation is the Commission's current policy, a further broadband
3 imputation adjustment to Ponderosa's CHCF-A draw has been incorporated into its ratemaking
4 calculations in this Application, as set forth below.

5 **C. Broadband Imputation.**

6 Pursuant to Ordering Paragraph 1 of D.21-04-005, "all reasonable positive retail
7 broadband-related revenues" from Ponderosa Cablevision's Internet access service in Ponderosa's
8 service territory "net of all reasonable broadband-related expenses" for the calendar year
9 immediately preceding the filing of this application "shall be imputed in the determination of rate
10 design and California High Cost Fund-A support." D.21-04-005 at 24 (OP 1). This imputation
11 requirement does not apply to "revenues derived from areas outside of" Ponderosa's service
12 territory and "revenues resulting from alternative service platforms that are not based upon"
13 Ponderosa's local exchange facilities. *Id.*

14 Prior to imputation, Ponderosa's rate design under Public Utilities Code section 275.6
15 produces total intrastate revenue of \$6,969,832, resulting in an annual revenue shortfall of
16 <<START CONFIDENTIAL [REDACTED] END CONFIDENTIAL>>, prior to considering the
17 CHCF-A draw. The required imputation results in a reduction to Ponderosa's intrastate revenue
18 requirement in the amount of <<START CONFIDENTIAL [REDACTED] END
19 CONFIDENTIAL>> and a corresponding dollar-for-dollar reduction in its CHCF-A support.
20 Because Ponderosa Cablevision does not actually pay this amount of its net retail broadband
21 revenues to Ponderosa, imputation causes a CHCF-A shortfall of <<START CONFIDENTIAL
22 [REDACTED] END CONFIDENTIAL>>.

23 As directed by the Phase 2 Broadband Imputation Decision, the CD staff has prepared a
24 template to implement the broadband imputation calculation. Ponderosa has populated this
25 template, and it is provided herewith as confidential Exhibit B. Exhibit B contains Ponderosa
26 Cablevision's 2021 financial results from its broadband operations in Ponderosa's territory using
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1 Ponderosa's local loop facilities.²³ The template contains highly granular confidential information
2 about Ponderosa Cablevision so it is provided subject to an expectation that the confidential
3 elements will be held under seal in the Commission's records, as required by the Public Utilities
4 Code Sections 275.6(e) and 583 and G.O. 66-D. The template also contains employee
5 compensation information, which are subject to legal protections to ensure employee privacy
6 under California law. The detailed justification for confidential treatment of this information is
7 provided in the contemporaneously filed Motion to Seal.

8 **IV. COMPLIANCE WITH PROCEDURAL RULES, APPLICATION FORMALITIES,**
9 **AND NOTICE REQUIREMENTS.**

10 **A. Corporate Information and Correspondence (Rules 2.1(a) and 2.1(b))**

11 The full name of the applicant is The Ponderosa Telephone Co.. Ponderosa is a
12 corporation organized under the laws of the State of California. The address of its principal place
13 of business is 47034 Road 201, O'Neals, California 93645, and its business telephone number is
14 (800) 682-1878. Ponderosa consents to service by email in connection with this proceeding.
15 Correspondence and other communications regarding this Application should be sent to counsel
16 for Ponderosa as follows:

17 Sarah J. Banola
18 Patrick M. Rosvall
19 Sean P. Beatty
20 BRB Law LLP
21 436 14th Street, Suite 1205
Oakland, California 94612
(office) 510-955-1080
(mobile) 415-324-3483
(email) sean@brblawgroup.com

22 with copies to Richard Williams at rickw@ponderosatel.com and Matt Boos at
23 mjboos@ponderosatel.com.

24
25 _____
26 ²³ Ponderosa Cablevision also provides broadband services outside of Ponderosa's telephone service
27 territory, but these services are based on alternative platforms that do not rely on Ponderosa's regulated
28 local loop facilities. These broadband revenues and expense have been excluded from the imputation
requirement. D.21-04-005 at 24 (O.P. 1).

1 **B. Organization and Qualification to Transact Business in California (Rule 2.2)**

2 Ponderosa's Articles of Incorporation as certified by the Secretary of State of the State of
3 California were previously submitted with Application 15-09-005 (filed September 1, 2015) and
4 they remain in the Commission's files in connection with that proceeding. In accordance with
5 Rule 2.2, Ponderosa incorporates this prior filing by reference in lieu of its submission with this
6 Application.

7 **C. Financial Statements (Rules 2.3 and 3.2(a)(1))**

8 Attached as Exhibit C are Ponderosa's financial statements as of the "latest available date,"
9 reflecting financial results through the month of July 2022. Pursuant to the Commission's rules,
10 the financials consist of Ponderosa's most recent audited financial statement through June 30,
11 2021, an unaudited balance sheet and income statement covering the year 2021, and an unaudited
12 balance sheet and income statement covering the period year from January 1, 2022 through July
13 2022.

14 **D. Description of Ponderosa's Facilities, Equipment, and Other Property, the**
15 **Cost and Depreciation Reserve Applicable to the Property, the Character of**
16 **Business Performed, and the Territory Served (Rule 3.2(a)(4))**

17 Ponderosa owns and operates a telephone system over which it provides local exchange
18 telephone service in Fresno, Madera, and San Bernardino Counties. Ponderosa serves
19 approximately 7,700 access lines in its two telephone wire centers: Cima and Friant. Its system
20 consists mainly of a system of cables and wires facilitating connections to customer locations and
21 interconnection to the public switched telephone network. Ponderosa's infrastructure includes
22 underground and aerial cable and lines, radio equipment, central office equipment, land, buildings,
23 and miscellaneous other equipment. Ponderosa's network is described in detail in the testimony of
24 Mr. Vargas submitted contemporaneously herewith.

25 The cost to the Applicant of its property and equipment and the depreciation reserve
26 applicable thereto are shown on the balance sheet included in Exhibit D to this Application.
27 Depreciation expense is calculated on a remaining-life basis using the rates from Ponderosa's last
28 rate case with updates through a new depreciation study described in Mr. Huckaby's testimony.

E. Present and Proposed Rates (Rules 3.2(a)(2) and 3.2(a)(3))

Ponderosa's current exclusive rate for single-line residential local exchange telephone service is \$25.00 and its business rate is \$37.10. Ponderosa believes that its current rates are already at the higher end of what its customers would consider to be affordable. Therefore, Ponderosa does not believe that its current rates should be modified at this time, and the Commission should resist efforts by Cal Advocates or others to seek further increases to these rates. Ponderosa's rates are reflected in the proposed tariff sheets included herewith as Exhibit E. Ponderosa has also proposed to eliminate separate charges for certain custom calling services and voicemail and to include them with residential basic service.

Ponderosa's LifeLine rates will be determined based on the application of the Commission's LifeLine regulations to the basic rate ultimately adopted by the Commission for Ponderosa. For customers living on tribal land, the LifeLine rate will continue to be \$0.00. *See* 47 C.F.R. § 54.403(a)(3). Ponderosa notes that its LifeLine rates could fluctuate based the application of available state and federal Lifeline support to Ponderosa's basic rates. *See* G.O. 153 § 9.2.1, Appendix C;²⁴ 47 C.F.R. § 54.403.

F. Summary of Earnings (Rules 3.2(a)(5), 3.2(a)(9))

Consistent with longstanding Commission practice and as required in D.15-06-048 and D.20-08-011, Ponderosa is using calendar year 2024 as the test period for this rate case. *See* D.20-08-011, Appendix C. A summary of estimated earnings on a depreciated rate base for the test period is attached as Exhibit F hereto. This schedule shows Ponderosa's total intrastate operations, as well as interstate and total company regulated operations.

G. Federal Income Tax Depreciation Deduction (Rule 3.2(a)(7))

In computing its federal income tax, Ponderosa utilizes the Modified Accelerated Cost Recovery System ("MACRS") to depreciate property plant and equipment for federal income tax purposes. For ratemaking purposes, Ponderosa calculated federal income tax expense using

²⁴ The current version of G.O. 153 is attached to a recent Commission decision, D.21-09-023, as Attachment A.

1 straight-line depreciation.

2 **H. No "Pass Through" Costs (Rule 3.2(a)(10))**

3 Ponderosa's requested ratemaking adjustments do not involve a "pass through" of costs.
4 The future test year and prospective ratemaking methodology employed in small independent
5 telephone corporations' rate cases is based on forecasted future results of operation. Accordingly,
6 small independent telephone company general rate cases do not incorporate elements of pass-
7 through costs, which might be more typically the subject of certain other utility company rate
8 filings, such as those involving energy resource recovery accounts.

9 **I. Financial Interest in Transactions (Rule 3.2(a)(8))**

10 In accordance with Rule 3.2(a)(8), Ponderosa confirms that its capital stock is not listed on
11 a "national securities exchange" and that its capital stock is not registered with the Securities and
12 Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934. Since
13 the filing of its last annual report with the Commission, there have been no transactions of the type
14 described in General Order 104-A, nor have any such transactions been proposed since the filing
15 of Ponderosa's last annual report, which was submitted on March 31, 2022 reflecting 2021
16 calendar year results of operations.

17 **J. Service of Application and Local Government Notifications (Rules 3.2(b),**
18 **3.2(c), 3.2(d)).**

19 This Application has been served by email on each of the individuals listed on Ponderosa's
20 company-specific list for service of advice letters, consistent with Rule 4.3 of General Order 96-B.
21 This Application has also been served on the Commission's Executive Director, the Chief
22 Administrative Law Judge, the Director of the Communications Division, and the Director of Cal
23 Advocates. Specific members of Communications Division and Cal Advocates' staff who have
24 participated in the pre-Application events related to this filing are also included on the service list.
25 The service list for this Application is attached to the certificate of service.

26 In addition, pursuant to Rule 3.2(b), within 20 days of the filing of this Application,
27 Ponderosa will mail a notice describing the proposed ratemaking adjustments and customer rates
28 sought in this Application to: (1) the State of California, by serving the Attorney General and the

1 Department of General Services; and (2) the County Counsel and County Clerk of Fresno,
2 Madera, and San Bernardino Counties. Ponderosa will also publish a notice in a newspaper of
3 general circulation in Fresno, Madera, and San Bernardino Counties within 20 days after the filing
4 date of this Application, as required by Rule 3.2(c). A draft of the notice, which Ponderosa
5 intends to present to the Public Advisor's Office for approval, is attached hereto as Exhibit G.

6 Further, Ponderosa will send a notice to customers regarding proposed rate adjustments
7 requested and matters to be addressed in this rate case. Ponderosa uses a 30-day billing cycle, so it
8 will mail a notice to subscribers within 45 days, in compliance with Rule 3.2(d). A draft of the
9 notice is attached as Exhibit H hereto. This notice has not yet been approved by the Commission's
10 Public Advisor's Office.

11 A full copy of the Application, including all exhibits, will be furnished upon written
12 request from these or any other parties. Proof of compliance with the customer notice requirement
13 will be filed in the docket of this proceeding within 65 days of the submission of this Application.

14 **K. Relevant Safety Considerations**

15 As explained in the testimony of Mr. Boos and Mr. Vargas submitted contemporaneously
16 herewith, Ponderosa has a strong record of providing high-quality, reliable, and safe service to its
17 rural service area. Ponderosa plays a critical role in the rural communities that it serves, and, for
18 many customer locations within these areas, Ponderosa provides the only reliable voice
19 connection. Ponderosa has a robust network resiliency plan, and a comprehensive emergency
20 response plan tailored to its operations and service territory. Ponderosa contributes materially to
21 advancing public safety in the communities where it serves, and it has an established track record
22 of working with first responders and community leaders to preserve and restore service in the face
23 of wildfires. This proceeding is critical to ensure that Ponderosa has sufficient financial resources
24 and operational stability to continue fulfilling these crucial functions.

25 **L. Section 275.6(e) Compliance.**

26 Pursuant to Public Utilities Code Section 275.6(e), Ponderosa must identify "revenues
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1 derived from the provision of unregulated internet access service” by its ISP affiliate “within
2 [Ponderosa]’s telephone service territory.”²⁵ In D.21-04-005, the decision adopting broadband
3 imputation, the Commission ordered Ponderosa to “submit with its GRC application a financial
4 statement in a format to be provided by . . . Communications Division staff detailing each category
5 of revenue and expense” to be used in the broadband imputation equation “for the calendar year
6 immediately preceding the filing of the GRC application.” D.21-04-005 at 24 (OP 2).
7 Communications Division has supplied a template with the form for this financial statement, and
8 Ponderosa has populated the template with the pertinent data for calendar year 2021. This fulfills
9 Ponderosa’s obligations under Public Utilities Code Section 275.6(e) in connection with this
10 Application.

11 **M. Compliance with the Rate Case Plan (D.15-06-048, D.20-08-011)**

12 Ponderosa has met all deadlines and procedural prerequisites to this filing under the 2015
13 Rate Case Plan and the 2020 decision extending the filing dates for the “Group B” companies.
14 See D.15-06-048; D.20-08-011. Consistent with D.20-08-011, Ponderosa’s Application is being
15 timely submitted on October 3, 2022, the first applicable business day after Saturday, October 1,
16 2022. Prior to submitting the Application, Ponderosa also complied with each of the pre-
17 application requirements under the Rate Case Plan, as follows:

18 **Notice of Intent:** Ponderosa submitted its Notice of Intent ("NOI") to file a rate case on
19 August 2, 2022, which included its initial proposals and its basic ratemaking and summary
20 calculations.

21 **Minimum Data Requests:** The Rate Case Plan also provides for Cal Advocates to submit
22 Minimum Data Requests ("MDRs") fifty-five days before the application date, and for Ponderosa
23 to respond to the MDRs at least forty-one days before the application date. Cal Advocates
24 formally provided Ponderosa with its MDRs on August 9, 2022, and Ponderosa timely responded
25 to those MDRs on August 23, 2022. Cal Advocates circulated a memorandum alleging a small list
26 of perceived deficiencies in the MDR responses on August 30, 2022 and supplemented that

27 ²⁵ Pub. Util. Code § 275.6(e).
28

1 memorandum on August 31, 2022. Ponderosa formally responded to the alleged deficiencies in
2 email dated August 31, 2022 and September 1, 2022. On September 3, 2022, Cal Advocates
3 issued a memorandum to the Communications Division acknowledging that Ponderosa had
4 provided sufficient responses to the MDRs. All pre-application requirements of D.14-12-084 are
5 met and all contingencies to submitting this Application are satisfied.

6 **N. Identification of License and Lease Revenue (D.21-06-004, Appendix A).**

7 The Phase 2 Ratemaking Decision requires each rate case applicant to “report all . . .
8 revenue from both licenses or leases” using a spreadsheet entitled “Reporting Template for Non-
9 Regulated Revenue.” *See* D.21-06-004, at 42-43 (OP 5), Appendix A. In response to an
10 application for rehearing from Ponderosa and the other Independent Small LECs, the Commission
11 issued a decision on rehearing modifying Appendix A and offering further context for the
12 Appendix A disclosures. D.22-02-027 at 8-9, Appendix A. Ponderosa understands the Appendix
13 A reporting requirement to seek information as of the date of the Application initiating the rate
14 case. As reflected in Exhibit I hereto, Ponderosa has populated the spreadsheet with information
15 reflecting the agreements that it has in place as of the date of this filing that are within the scope of
16 Appendix A, as modified in D.22-02-027.

17 Ponderosa notes that the Appendix A disclosure requirement does not encompass all
18 “miscellaneous revenues;” it focuses solely on “license, lease, or other” agreements for access to
19 public utility facilities or property. As reflected in federal regulations, miscellaneous revenues
20 include several categories of revenue that extend beyond facilities access agreements. *See* 47
21 C.F.R. §§ 32.5200, 32.5230, 32.5300. Likewise, not all revenue generated from access to
22 facilities is classified as “miscellaneous revenues;” where the underlying “plant” is “removed”
23 from rate base, the resulting revenues are unregulated. *See* D.21-06-004 at 17, 19 (incorporating
24 NECA Reporting Guideline 8.3 into Commission ratemaking standards and explaining options for
25 addressing license and lease revenues); *see also* NECA Reporting Guideline 8.3). Regardless of
26 whether the resulting revenue is regulated or unregulated, Ponderosa’s disclosures in Exhibit I
27 include all instruments reflecting licenses, leases, or other agreements for access to its property.

1 **V. PROPOSED CATEGORIZATION, STATEMENT OF ISSUES, PROPOSED**
2 **SCHEDULE, AND GUIDELINES FOR DISCOVERY (RULES 2.1(c) and 1.3(e)).**

3 **A. Categorization.**

4 In accordance with Rules 2.1(c) and 1.3(e), Ponderosa proposes that this proceeding be
5 classified as a ratesetting proceeding. This proceeding squarely meets the criteria for designation
6 as ratesetting, as it is a proceeding in which the Commission will “set . . . rates for a specifically
7 named utility.” Rule 1.3(e).

8 **B. Issues.**

9 This proceeding involves two straightforward ratemaking issues: (1) the determination of
10 the Ponderosa’s revenue requirement utilizing a 2024 test year; and (2) a review of Ponderosa’s
11 rates and other intrastate funding sources available during the 2024 test year to develop a rate
12 design that affords Ponderosa with a reasonable opportunity to recover its costs of service and earn
13 its Commission-authorized rate-of-return of 8.44% on its investments. The revenue requirement
14 and rate design issues involve the application of existing rules and ratemaking standards to
15 Ponderosa’s financial and operational circumstances; this proceeding should not involve the
16 development of any new policies, the exploration of novel ratemaking theories, or the imposition
17 of new regulations.

18 **C. Need for Hearings.**

19 If the issues are not resolved through settlement, an evidentiary hearing will be required to
20 establish Ponderosa’s revenue requirement and rate design.

21 **D. Schedule.**

22 **1. Timing of Public Participation Hearing.**

23 As permitted by Ordering Paragraph 5 of D.15-06-048, Ponderosa requests that the
24 Commission make a small—but important—adjustment to the sequence of events contemplated by
25 the Rate Case Plan, to ensure that customers will have a meaningful voice in the process by which
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1 their telephone rates are set.²⁶ Specifically, the Public Participation Hearing (“PPH”) in this
2 proceeding should take place *after* all parties revealed their proposals for end user rates. Since Cal
3 Advocates has historically presented its rate proposals in testimony, and Cal Advocates has
4 consistently recommended higher rates than the companies, customers should have the benefit of
5 the full range of potential outcomes before they provide input in this proceeding. In four prior
6 cases, the assigned ALJs appropriately scheduled the PPHs after the submission of Cal Advocates’
7 testimony.²⁷

8 Unfortunately, in the most recent three rate cases for the “Group A” companies under the
9 Rate Case Plan, customers were systematically deprived of critical information about the range of
10 potential rate increases that they were facing in those rate cases.²⁸ Each of the three Group A
11 companies proposed residential rates of \$25.00, which reflected the status quo for Sierra and one
12 dollar increases for Volcano and Siskiyou. In each case, Cal Advocates proposed higher
13 residential rates of \$27.50 and proposed additional increases to each company’s business rate.
14 Due to its advocacy during the scoping of the proceeding, Cal Advocates was able to shield this
15 essential information from customers prior to the PPH, instead representing that Cal Advocates
16 would advocate for lower rates for customers. When the true facts were revealed in testimony
17 several weeks later, it was too late for customers to be heard. This inequitable and misleading
18 practice should be curtailed in Ponderosa’s case to ensure that the process is transparent and
19 customers can be heard at a meaningful time on the issues that are most important to them.²⁹

21 ²⁶ D.15-06-048 at 28 (OP 5) (authorizing the assigned ALJ to modify the rate case plan “if necessary for
22 efficiency and the public interest.”).

23 ²⁷ A.17-10-004 (Foresthill), *Scoping Memo* at 6-7; A.16-10-004 (Cal-Ore), *Scoping Memo* at 5-6; A.16-10-
24 002 (Calaveras), *Scoping Memo* at 5-6; A.16-10-001 (Ponderosa), *Scoping Memo* at 4-5.

25 ²⁸ The “Group A” companies under the Rate Case Plan were Sierra Telephone Company, Inc. (“Sierra”),
26 Volcano Telephone Company (“Volcano”), and The Siskiyou Telephone Company (“Siskiyou”).

27 ²⁹ See R.11-11-007, LEC-4 (Boos Opening) at 40:8-11 (“Based on my experience in the Ponderosa rate
28 case, where the PPH was held after Cal PA’s testimony had been released, customers appreciated the
opportunity to provide their input on all proposals, not just the company’s proposal. Ponderosa’s PPH was
very well attended, with approximately 40 customers present and several who provided comments.”); A.15-
12-002, *Motion for Second Public Participation Hearing* (May 6, 2016), Declaration of Lynn A. Morgan,
Supervisor for Amador County (“Based on my knowledge of the makeup of the residents of our
community, our local businesses, and their needs as well as my interactions with local residents and
(footnote continued)

1 **2. Additional Time for Rebuttal Testimony.**

2 Ponderosa also requests that the ALJ adopt a schedule that provides Ponderosa with
3 approximately 30 additional days for rebuttal testimony. Pursuant to the milestones in the current
4 Rate Case Plan, Cal Advocates has 150 days from the date of an application to prepare its
5 testimony, whereas the company has only 30 days to prepare rebuttal testimony.³⁰ Based on the
6 rate cases processed to date under the Rate Case Plan, where only 30 days have been provided,
7 numerous extensions of time have been needed on rebuttal testimony due to the vast number and
8 novel character of the issues in Cal Advocates' testimony.³¹ Rather than waiting to address this
9 problem on short notice, or assuming that the future will be different from the past, the
10 Commission should anticipate the issue and proactively provide a modest expansion of the
11 timeframe for rebuttal testimony. This adjustment is necessary to promote efficiency and to
12 address what is otherwise an imbalanced and inequitable schedule. It can also be accommodated
13 without upsetting the overall timing for resolution of the proceeding.

14 In the recent "Group A" rate cases, the 30-day timeframe was expanded to approximately
15 45 days, and the schedule in this proceeding should at least track that timing.

16 **3. Alternative Dispute Resolution.**

17 The Commission should take reasonable steps to promote the use of alternative dispute
18 resolution in this proceeding, no later than 10 calendar days after all testimony is submitted, and
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20 businesses, I believe that our constituents would very much like to review ORA's proposal to significantly
21 increase residential and business rates and express their concerns to the Administrative Law Judge and
22 assigned Commissioner or her representative about how ORA's proposal would impact them. I am
23 particularly concerned that many of our local residents would not be able to afford basic telephone service
24 at the rates ORA proposes.").

25 ³⁰ D.15-06-048, App. A at 2-3.

26 ³¹ See, e.g., R.11-11-007, LEC-7 (Votaw Opening) at 22:9-12 ("The breadth of Cal PA's testimony in
27 Ducor's case was overwhelming, as Cal PA addressed a number of issues that were not presented by
28 Ducor's application and which I believe were beyond the scope of the proceeding. Nevertheless, Ducor had
to address them, and it did not have enough time."); LEC-4 (Boos Opening) at 38:25-39:3 (Cal Advocates'
testimony exceeded scope of the proceeding and the issues in the application . . ."); A.17-10-004,
Foresthill Motion for Extension of Rebuttal Testimony Deadline (July 6, 2018), *Email Ruling Granting
Extension of Rebuttal Testimony Deadline by Foresthill to July 18, 2018*; A.16-10-003, *Sierra Motion for
Extension of Time of Rebuttal Testimony* (March 21, 2017); *E-Mail Ruling Denying Extension of Time
beyond April 10* (April 6, 2017) (requiring Sierra to respond by April 10).

1 prior to hearings.³² This proposal should not be controversial, but it is necessary because Cal
2 Advocates has historically refused to participate in mediation in small telephone company rate
3 cases.³³ Ponderosa believes strongly that skilled mediators can push parties to settle even where
4 their initial positions are far apart and their views are passionately held. The Commission has
5 consistently promoted alternative dispute resolution for these reasons.³⁴ Mandatory mediation is
6 common in many contexts because of its proven role in facilitating settlement, narrowing disputes,
7 and conserving resources.³⁵

8 There is no foreseeable harm from requiring the parties to come to the table to try to
9 resolve their differences. Mediation is usually completed in one day and would not cause any
10 material delay, even if unsuccessful.

11 4. Schedule.

12 Ponderosa's proposed schedule is attached hereto as Exhibit J. The proposed schedule
13 includes dates for the full range of procedural deadlines, including the Application date, the protest
14 deadline, and the Pre-Hearing Conference ("PHC"). After the PHC, there are proposed dates for
15 testimony, the PPH, evidentiary hearings, and briefs. Ponderosa will engage in further meet and
16 confer efforts with Cal Advocates in advance of the PHC to pursue a consensus schedule, or, at a
17 minimum, narrow differences between the parties.

18 VI. SUMMARY OF TESTIMONY.

19 In addition to the facts and authorities in this Application, Ponderosa has served

21 ³² This proposal aligns with the timing of the "meet and confer" requirement under the Commission's new Rule 13.9.

22 ³³ See, e.g., R.11-11-007, LEC-7 (Votaw Opening) at 23:26-24:2 (in response to Ducor's motion seeking mediation, "Cal Advocates not only refused to participate, it sought sanctions against Ducor for asking that the Commission force the parties to the table.").

23 ³⁴ See Res. ALJ-185 at 2, 5; D.82-07-086 ("If the parties cannot resolve their differences . . . they are urged
24 to seek some form of relatively inexpensive and expeditious solution, such as mediation or arbitration by
25 one or more persons of appropriate experience. Such prompt action should benefit all users . . . and might eliminate eventual costly litigation.").

26 ³⁵ See S.D. Cal. Civil Local Rule 16.1(c) (requiring "early neutral evaluation" within 45 days of filing an
27 answer to discuss claims and attempt settlement); N.D. Cal. ADR Local Rules 1-2, 2-3; S.D. Cal. Civil
28 Local Rule 16.1(c) (requiring "early neutral evaluation" within 45 days of filing an answer to discuss
claims and attempt settlement); N.D. Cal. ADR Local Rules 1-2, 2-3; see also State Bar Guidelines of Civility and Professionalism, § 13.

1 comprehensive pre-filed testimony in support of its proposed relief, as follows:

2 **Kristann Silkwood Mattes, Ponderosa’s President:** Ms. Mattes has been Ponderosa’s
3 President since 2014, and she is in the process of being approved as the majority owner of
4 Ponderosa following the recent death of her mother, Ms. Luanne Silkwood. *See* A.22-04-002. In
5 her testimony in this proceeding, she provides important background regarding Ponderosa’s
6 history, current operations, and forward-looking objectives. She also contextualizes this
7 application by describing the character of Ponderosa’s customer base and the nature of the
8 communities where Ponderosa serves.

9 **Matthew Boos, until recently Ponderosa’s General Manager and now a temporary**
10 **employee tasked with managing this rate case:** Mr. Boos served as Ponderosa General
11 Manager for 30 years, and his testimony outlines Ponderosa’s ratemaking proposal, discusses the
12 importance of keeping rates affordable in Ponderosa’s service territory. In addition, Mr. Boos
13 describes the source of the financial data used to inform Ponderosa’s ratemaking proposal. He
14 also discusses Ponderosa’s affiliate relationships, imputation of revenue from Ponderosa’s ISP
15 affiliate and license and lease revenues.

16 **Eric Vargas, Director of Operations:** Mr. Vargas, Ponderosa’s Director of Operations,
17 provides the operational, budgetary, and functional details to support Ponderosa’s rate base
18 calculations, with a focus on the plant additions that are necessary to implement Ponderosa’s
19 FTTN network architecture and test year 2024 capital projects. He summarizes the current
20 functionalities of Ponderosa’s network, notes the ongoing projects, and identifies the key
21 investment priorities that are critical to advancing customer welfare, promoting universal service,
22 and bridging the digital divide in the years to come. He also identifies the projected costs of
23 Ponderosa’s anticipated projects and explains how they fit within Ponderosa’s long-term vision for
24 network advancement and customer service. In addition, Mr. Vargas summarizes Ponderosa’s
25 strong service quality record, including an accounting of Ponderosa’s compliance with General
26 Order 133-D requirements over the past five years, and its safety and emergency response
27 protocols. Based on his extensive and long history with the company and his deep understanding
28 of Ponderosa’s long-term goals, he provides a strong foundation for Ponderosa’s proposed

1 investments and approach to maintaining and improving service quality.

2 **Chad Duval, Cost Consultant and Telecommunications Policy Expert:** Mr. Duval
3 provides the numerical foundation of Ponderosa’s Application, summarizing Ponderosa’s revenue
4 requirement, rate base, rate design, and all other relevant cost and revenue calculations necessary
5 to support Ponderosa’s proposed ratemaking adjustments for the 2024 test year. Mr. Duval
6 explains each pertinent ratemaking calculation based on his extensive experience applying state
7 and federal ratemaking standards and telecommunications regulations. Mr. Duval also
8 summarizes important federal and state policy directives that should inform the Commission’s
9 examination of this Application, including imperatives to support broadband-capable investments
10 in rural areas and the need to ensure that all reasonable costs of service are included in rate-of-
11 return ratemaking calculations.

12 Mr. Duval also offers important financial details in support of Ponderosa’s revenue
13 requirement calculations, including a summary of historical expenses and anticipated expenses for
14 the test year. In addition, Mr. Duval also analyzes the drivers of Ponderosa’s expenses and
15 provides some context for the overall trends and important ongoing functions enabled by those
16 expenses. In addition, Mr. Duval discusses cost allocation methodologies and affiliate
17 transactions, which further demonstrate the comprehensiveness and transparency of Ponderosa’s
18 application. In addition, he summarizes Ponderosa’s implementation of broadband imputation.

19 **Dr. Lehman, PhD Economist:** Dr. Lehman, an economist with a telecommunications
20 policy background, provides economic support for establishing Ponderosa’s “all-inclusive” basic,
21 residential rate, which falls above the midpoint of the Commission’s “range of reasonableness.”
22 Dr. Lehman summarizes economic metrics and market dynamics affecting affordability in
23 Ponderosa’s service territory and includes comparative data showing that Ponderosa’s rates are
24 already among the highest in the country amongst rural telephone companies, further militating
25 against significant rate increases.

26 **Nick Huckaby, Depreciation Expert:** Mr. Huckaby presents the depreciation study
27 based on Ponderosa’s 2023 projected plant accounts and explains alternative approaches to
28 establishing depreciation rates for accounts that are nearly or completely depreciated.

1 **Larry Thompson, Engineering Consultant and Network Design Expert:** Mr.
2 Thompson presents expert testimony in support of Ponderosa’s network improvements and FTTP
3 deployment plan. Mr. Thompson summarizes the key advantages of a robust fiber network,
4 highlighting functionalities and applications that necessitate an FTTP architecture. He supplies
5 details regarding the scalability advantages, long-term cost savings, and regulatory imperatives
6 militating in favor of FTTP. He provides confirmation that Ponderosa’s fiber deployment plans are
7 reasonable and prudent given foreseeable customer need, regulatory requirements, and other
8 factors affecting infrastructure build-out priorities.

9 **VII. LIST OF EXHIBITS**

10	Exhibit A	Summary of Depreciation Rates and Balances
11	Exhibit B	Broadband Imputation Calculation
12	Exhibit C	Most Recent Financial Statements
13	Exhibit D	Depreciation Reserve and Expense
14	Exhibit E	Tariff Changes
15	Exhibit F	Summary of Estimated Earnings
16	Exhibit G	Notice of Publication
17	Exhibit H	Notice of Proposed Rate Adjustments
18	Exhibit I	Lease and License Revenue Report
19	Exhibit J	Proposed Procedural Schedule

20 **VIII. PRAYER FOR RELIEF**

21 WHEREFORE, Ponderosa respectfully requests that this Commission issue a decision:

- 22 1. Adopting the revenue requirement of \$13,653,876 for test year 2024, to take effect
23 on January 1, 2024, and remain in place until it is modified in a subsequent rate case or through
24 another properly scoped Commission proceeding;
- 25 2. Adopting the rate design proposed in this Application, including a CHCF-A draw
26 after broadband imputation of <<START CONFIDENTIAL [REDACTED] END
27 CONFIDENTIAL>> subject only to annual adjustments through the CHCF-A advice letter
28 process governed by D.91-09-042;
3. Adopting the depreciation rates proposed herein;

- 1 4. Adopting the limited tariff changes and rate adjustments set forth herein, effective
2 January 1, 2024;
- 3 5. Establishing a mechanism for reversing the effects of broadband imputation on the
4 calculations in this rate case if Ponderosa’s pending appellate challenge addressing this policy is
5 successful and the Commission’s Broadband Imputation Decision is annulled; and
- 6 6. Providing such other relief as may be necessary and proper.

7 Executed at Oakland, California on this 3rd day of October 2022.

8 Sarah J. Banola
9 Patrick M. Rosvall
10 Sean P. Beatty
11 BRB Law LLP
12 436 14th Street, Suite 1205
13 Oakland, CA 94612
14 Phone: (510) 955-1083
15 Email: sean@brblawgroup.com

16 By: /s/ Sean P. Beatty
17 Sean P. Beatty

18 Attorneys for The Ponderosa Telephone Co.

VERIFICATION

I, Richard Williams, am an officer of The Ponderosa Telephone Co. employed as its Chief Financial Officer, and I am authorized to make this verification on behalf of The Ponderosa Telephone Co. I have read the foregoing Application, and I know the contents thereof, from my own knowledge and/or from discussing its contents with other knowledgeable employees and/or representatives of The Ponderosa Telephone Co. The matters stated therein are true of my own knowledge or I am informed and believe that they are true, and on that basis, I allege that the matters stated therein are true.

Executed this 3rd day of October, 2022 in O'Neals, California.



Richard Williams

Exhibit A

The Ponderosa Telephone Co.
Current and Proposed Depreciation Rates and 2024 Expense
TY 2024

	Present			Proposed			Change			Percent Change		
	Rate	Depreciation	Intrastate	Rate	Depreciation	Intrastate	Rate	Depreciation	Intrastate	Rate	Depreciation	Intrastate
		Expense	Allocation		Expense	Allocation		Expense	Allocation		Expense	Allocation
2112.0	Motor Vehicles	4.96%	94,995	58,783	7.60%	145,558	90,071	2.64%	50,563	31,288	53.22%	53.23%
2114.0	Tools & Other Work Equip	5.58%	54,129	33,495	0.88%	8,536	5,282	-4.70%	(45,593)	(28,213)	-84.22%	-84.23%
2114.1	Garage Work Equipment	10.00%	-	-	0.00%	-	-	-10.00%	-	-	-100.00%	0.00%
2121.0	Buildings	1.23%	116,775	72,260	1.40%	132,915	82,248	0.17%	16,140	9,987	13.47%	13.82%
2122.0	Furniture	6.67%	36,806	22,776	1.84%	10,153	6,283	-4.83%	(26,653)	(16,493)	-72.41%	-72.41%
2123.0	Office Support Equip	0.40%	792	490	7.64%	15,135	9,366	7.24%	14,343	8,875	1810.00%	1810.98%
2123.1	Company Communications Equip	12.48%	167,926	103,913	13.54%	182,189	112,739	1.06%	14,263	8,826	8.48%	8.49%
2124.0	General Purpose Computers	6.86%	228,138	141,172	9.51%	316,267	195,706	2.65%	88,129	54,534	38.63%	38.63%
2212.0	Digital Electronic Switching	14.29%	-	-	0.00%	-	-	-14.29%	-	-	-100.00%	0.00%
2231.0	Microwave Systems	2.65%	136,530	84,485	8.32%	428,654	265,251	5.67%	292,124	180,766	213.96%	213.96%
2232.1	Circuit Equip-Electronic	4.87%	679,703	420,600	0.99%	249,352	154,299	-3.88%	(430,351)	(266,301)	-79.67%	-63.31%
2232.2	Circuit Equip-Optical	4.87%	274,852	170,078	5.52%	311,536	192,778	0.65%	36,684	22,700	13.35%	13.35%
2411.0	Pole	1.40%	4,261	2,637	10.96%	33,359	20,643	9.56%	29,098	18,006	682.79%	682.89%
2421.0	Aerial Cable-Metallic	7.77%	-	-	0.00%	-	-	-7.77%	-	-	-100.00%	0.00%
2421.1	Aerial Cable-Fiber Optic	7.77%	97,327	60,226	8.87%	111,106	68,752	1.10%	13,779	8,526	14.16%	14.16%
2422.0	Underground Cable - Metallic	6.67%	-	-	0.00%	-	-	-6.67%	-	-	-100.00%	0.00%
2423.0	Buried Cable-Metallic	0.13%	66,899	41,397	1.57%	807,928	499,946	1.44%	741,029	458,549	1107.69%	1107.68%
2423.1	Buried Cable-Fiber Optic	5.67%	2,997,856	1,855,073	5.01%	2,648,900	1,639,139	-0.66%	(348,956)	(215,934)	-11.59%	-11.64%
2431.0	Aerial Wire-Metallic	10.00%	-	-	0.00%	-	-	-10.00%	-	-	-100.00%	0.00%
2441.0	Underground CONDUIT	4.00%	209,937	129,909	2.77%	145,381	89,962	-1.23%	(64,556)	(39,947)	-30.72%	-30.75%
			5,166,926	3,197,294 *		5,546,969	3,432,464 *		380,043	235,171		7.36%

* Prior to any Test Year 2024 rate case model adjustments

Exhibit B

[Public]

**Confidential; portions
redacted**

Question	Answer	Additional Information
1 Name of ILEC	The Ponderosa Telephone Co.	
2 ILEC physical address	47034 Road 201, O'Neals, CA 93645	
3 Name of Affiliate ISP Corp.	Ponderosa Cablevision	
4 ISP physical address	47034 Road 201, O'Neals, CA 93645	
5 Does this ISP affiliate provide Internet access throughout the ILEC territory?	No	Ponderosa's ISP affiliate provides Internet access throughout Ponderosa's northern exchanges, but it does not provide Internet access in Ponderosa's Cima exchange.
6 Does this ISP affiliate provide Internet access outside the ILEC's territory?	Yes	
7 Does this affiliate provide Internet access using alternate platform? If Yes, please describe.	No	
8 Does the ISP affiliate use any common building or facilities in providing internet access service to the ILEC territory and conducting other businesses? If yes, how are expenses allocated between internet service and other businesses?	Yes. Common costs are allocated to Ponderosa's affiliates, including the ISP affiliate, via an established cost allocation process reflected in Ponderosa's Cost Allocation Manual. In limited situations, where building space is dedicated to an affiliate, Ponderosa enters into an agreement with the affiliate based on the rental cost of the dedicated space.	

Exhibit C

**June 30, 2021 Fiscal Year
Audited Financial Statement**



*Report of Independent Auditors and
Financial Statements*

The Ponderosa Telephone Co.

June 30, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors
The Ponderosa Telephone Co.

Report on the Financial Statements

We have audited the accompanying financial statements of The Ponderosa Telephone Co. (the Company), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of income, comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ponderosa Telephone Co. as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Stockton, California
October 27, 2021

Financial Statements

The Ponderosa Telephone Co.
Balance Sheets
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,722,094	\$ 2,654,886
Cash – RUS construction fund	299,693	299,693
Marketable securities – available for sale	9,775,733	8,176,943
Subscriber accounts receivable	828,984	716,275
Settlement and access accounts receivable	785,376	1,013,814
Affiliate accounts receivable	2,472,853	584,806
Income taxes receivable	-	19,067
Other accounts receivable	1,143,807	191,526
Materials and supplies	800,817	607,855
Prepayments	137,626	252,162
	<u>17,966,983</u>	<u>14,517,027</u>
NONCURRENT ASSETS		
Alternative investment	1,328,360	1,795,526
Other investments	1,608	1,608
Cash value of life insurance policies	10,554,991	9,605,961
Intangibles	166,400	166,400
Deferred charges	-	81,026
	<u>12,051,359</u>	<u>11,650,521</u>
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	144,195,971	142,576,845
Telecommunications plant under construction	5,510,081	4,331,523
Nonregulated plant in service	80,777	80,777
	<u>149,786,829</u>	<u>146,989,145</u>
Less accumulated depreciation	<u>120,760,857</u>	<u>117,938,733</u>
	<u>29,025,972</u>	<u>29,050,412</u>
	<u><u>\$ 59,044,314</u></u>	<u><u>\$ 55,217,960</u></u>

The Ponderosa Telephone Co.
Balance Sheets (Continued)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 889,584	\$ 604,223
Affiliate payables	3,160,369	1,665,042
Current maturities of long-term debt	2,188,872	2,291,372
Current portion of postretirement liability	45,000	27,568
Advance billings and customer deposits	264,883	251,773
Income taxes payable	887,199	-
Other accrued liabilities	1,521,130	2,027,560
	<u>8,957,037</u>	<u>6,867,538</u>
LONG-TERM DEBT		
Mortgage notes, less current portion	4,698,252	6,956,921
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	547,906	192,941
Postretirement benefits, less current portion	289,883	168,516
	<u>837,789</u>	<u>361,457</u>
STOCKHOLDER'S EQUITY		
Preferred stock, \$10 par value: 100,000 shares authorized		
Issued and outstanding 79,272 shares	792,720	792,720
Common stock, \$10 par value: 20,000 shares authorized		
Issued and outstanding 6,106 shares	61,060	61,060
Retained earnings	43,651,839	40,124,500
Accumulated other comprehensive income	45,617	53,764
	<u>44,551,236</u>	<u>41,032,044</u>
Total stockholder's equity	<u>\$ 59,044,314</u>	<u>\$ 55,217,960</u>

The Ponderosa Telephone Co.
Statements of Income
Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Local services	\$ 2,762,640	\$ 2,918,088
Interstate access	6,788,836	6,865,886
Intrastate access	348,070	359,961
Interstate high cost loop support	3,171,976	3,299,618
State high cost fund support	4,156,252	3,277,307
Nonregulated	169,671	168,597
Miscellaneous	656,730	513,289
Total operating revenues	18,054,175	17,402,746
OPERATING EXPENSES		
Plant specific operations	4,170,365	4,148,246
Plant nonspecific operations	2,357,418	2,263,123
Customer operations	1,131,208	1,130,858
Corporate operations	2,476,687	2,888,735
Depreciation	4,220,398	4,024,312
Property and other taxes	476,286	411,942
Nonregulated	215,163	198,497
Total operating expenses	15,047,525	15,065,713
OPERATING INCOME	3,006,650	2,337,033
OTHER INCOME AND (EXPENSES)		
Interest and dividend income	160,596	239,248
Realized investment gains	1,516,425	717,755
Unrealized investment gains (losses)	1,183,377	(999,719)
Income from alternative investment	247,451	136,278
Allowance for funds used during construction	28,709	25,672
Interest expense	(258,645)	(325,617)
Nonoperating expense, net	(175,148)	(415,673)
Total other income and (expenses)	2,702,765	(622,056)
INCOME BEFORE INCOME TAXES	5,709,415	1,714,977
Provision for income taxes	1,284,513	451,603
NET INCOME	\$ 4,424,902	\$ 1,263,374

The Ponderosa Telephone Co.
Statements of Comprehensive Income
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NET INCOME	<u>\$ 4,424,902</u>	<u>\$ 1,263,374</u>
Other comprehensive income (loss):		
Alternative investment fair value (loss) gain	<u>(11,312)</u>	<u>33,708</u>
Other comprehensive income (loss), before tax	<u>(11,312)</u>	<u>33,708</u>
Income tax (benefit) related to the above items	<u>3,165</u>	<u>(9,432)</u>
Other comprehensive income (loss), net of tax	<u>(8,147)</u>	<u>24,276</u>
COMPREHENSIVE INCOME	<u><u>\$ 4,416,755</u></u>	<u><u>\$ 1,287,650</u></u>

The Ponderosa Telephone Co.
Statements of Stockholder's Equity
Years Ended June 30, 2021 and 2020

	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE – June 30, 2019	\$ 792,720	\$ 61,060	\$ 38,299,476	\$ 1,138,701	\$ 40,291,957
Net income	-	-	1,263,374	-	1,263,374
Adoption of ASU 2016-01	-	-	1,109,213	(1,109,213)	-
Other comprehensive income	-	-	-	24,276	24,276
Dividends on preferred stock	-	-	(47,563)	-	(47,563)
Dividends on common stock	-	-	(500,000)	-	(500,000)
BALANCE – June 30, 2020	792,720	61,060	40,124,500	53,764	41,032,044
Net income	-	-	4,424,902	-	4,424,902
Other comprehensive loss	-	-	-	(8,147)	(8,147)
Dividends on preferred stock	-	-	(47,563)	-	(47,563)
Dividends on common stock	-	-	(850,000)	-	(850,000)
BALANCE – June 30, 2021	<u>\$ 792,720</u>	<u>\$ 61,060</u>	<u>\$ 43,651,839</u>	<u>\$ 45,617</u>	<u>\$ 44,551,236</u>

The Ponderosa Telephone Co.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,424,902	\$ 1,263,374
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	4,276,442	4,076,727
Amortization of debt costs	3,751	3,834
Deferred income taxes	358,130	875,487
Allowance for funds used during construction	(28,709)	(25,672)
Realized gain on marketable securities	(1,516,425)	(717,755)
Unrealized (gain) loss on marketable securities	(1,183,377)	999,719
Income from alternative investment	(247,451)	(136,278)
Post retirement benefit	138,799	(3,140)
Officers' life insurance cash surrender value	12,566	(3,563)
Increase (decrease) in cash due to changes in assets and liabilities		
Receivables	(2,724,599)	(63,015)
Materials and supplies	(192,962)	20,611
Prepayments	114,536	180,910
Deferred charges	81,026	162,051
Accounts payable	1,780,688	1,037,993
Prepaid income taxes/income taxes payable	906,266	(77,571)
Advance billings and customer deposits	13,110	(12,677)
Other liabilities	(506,430)	147,274
Net cash from operating activities	<u>5,710,263</u>	<u>7,728,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant capital expenditures	(4,210,012)	(5,667,411)
Salvage, net of cost of removing plant	(13,281)	20,107
Purchase of marketable securities	(9,135,973)	(7,411,051)
Proceeds from sale of marketable securities	10,236,985	10,488,127
Proceeds of alternative investment	703,305	37,436
Purchase of life insurance policies	(961,596)	(1,476,252)
Net cash from investing activities	<u>(3,380,572)</u>	<u>(4,009,044)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(2,320,018)	(2,253,405)
Payment of debt issuance costs	(44,902)	-
Dividends paid	(897,563)	(547,563)
Net cash from financing activities	<u>(3,262,483)</u>	<u>(2,800,968)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(932,792)	918,297
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,654,886</u>	<u>1,736,589</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,722,094</u>	<u>\$ 2,654,886</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest, net of amounts capitalized	<u>\$ 255,141</u>	<u>\$ 321,850</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

The Ponderosa Telephone Co.

Notes to Financial Statements

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of operations – The Ponderosa Telephone Co. (the Company) is a provider of telecommunications services in its California franchised territory in rural areas of Madera, Fresno, and San Bernardino Counties, and is subject to the Rules and Regulations of the California Public Utilities Commission (the Commission and/or CPUC) and the Federal Communications Commission (FCC). The Company is a wholly-owned subsidiary of Ponderosa Communications, Inc. (a California corporation).

Accounting policies – The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the FCC and adopted by the CPUC. Such accounting principles are consistent in all material respects with accounting prescribed by the FCC.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents – For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts receivable – The Company generally does not require collateral or other security to support accounts receivable. Credit risk associated with receivables is periodically reviewed by management and, if required, an allowance for doubtful accounts is established. An allowance for doubtful accounts of \$1,000 for 2021 and 2020 has been established. Accounts receivable are ordinarily due 15 days after invoice issuance. Delinquent accounts are written off based on the customers' credit evaluation and specific circumstances. Recoveries of previously charged off accounts are recorded when received.

Marketable securities – Equity securities are stated at fair value, with unrealized gains and losses, reported as part of gains (losses) on marketable securities in the statement of income. Debt securities not classified as held to maturity or trading are classified as available for sale.

Materials and supplies – Materials and supplies inventory is stated at the lower of cost or market. Cost is determined by the average cost method.

Cash value of life insurance policies – The Company pays the premiums of keyman split dollar and other life insurance policies. The Company is the owner and beneficiary of the policies to the extent of the premiums it pays. Split dollar policies are recorded at cost and other policies are recorded at their cash surrender value.

Intangible assets – Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangibles with definite lives are amortized.

Deferred charges – Deferred charges consist of legal and expert witness costs accrued related to a rate case before the CPUC. The CPUC approved the rate case effective January 1, 2018. The deferred charges were amortized over a three-year period beginning January 1, 2018 and were fully amortized as of January 2021.

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses. The Company records as income and capitalizes as a cost of construction the cost of financing large construction projects spanning a period greater than two months. The Company uses a weighted-average interest rate based on total Company long-term debt.

Property, plant, and equipment is depreciated using straight-line methods in accordance with rates as prescribed by regulators. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Revenue recognition – The Company provides local telephone and network access to end user and enterprise customers within its geographic footprint. The majority of Company's end user customer revenue is based on month-to-month contracts while larger enterprise customers have contracts with defined terms of service that can range from one to five years.

The Company recognizes revenue for services as it provides the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided, i.e. when the Company satisfies its performance obligation.

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation. The standalone selling price is the price charged to similar customers for the individual services or equipment.

Local telephone and Internet revenues are recognized over the period a customer is connected to the network. These services are generally billed in advance, but recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls), and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year-end and, therefore, the related revenues are recorded based on an estimate of the Company's costs, NECA pool earnings and on other assumptions related to information utilized in the preparation of the Company's cost study. The studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. There was an insignificant revenue impact in 2021 and 2020, for adjustments related to prior-year differences between the recorded estimates and actual revenues. Management does not anticipate that 2021 and 2020 recorded revenues will require significant adjustments in future years.

The Ponderosa Telephone Co.

Notes to Financial Statements

Interstate access revenue also includes universal service support revenue which is intended to compensate the Company for the high cost of providing rural telephone service and access to broadband service. Universal service support revenue includes funds received for high cost loop support (HCLS), Connect America Fund Broadband Loop Support (CAF-BLS), Connect America Fund Intercarrier Compensation (CAF-ICC), and other miscellaneous programs. HCLS and CAF-BLS are based on the Company's relative level of operating expense and plant investment. Support from the CAF-ICC is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF-ICC base. The CAF-ICC base is reduced by 5% each year in determining CAF-ICC support.

The Company's state high cost fund support is intended to compensate the Company for the high cost of providing rural telephone service and is used to fulfill the intrastate revenue requirement to help keep local rates down.

Miscellaneous revenues include contractually determined arrangements for the provision of various services incident to the Company's core service offerings and are recognized in the period when the services are performed.

Regulation – The Company's services are subject to rate regulation as follows:

- Local telephone, intrastate access, billing and collection services, and inside wire maintenance revenues are regulated by the CPUC. The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by the Universal Service Administrative Company (USAC) based on rules established by the FCC.
- State High Cost Fund revenues are administered by the CPUC based on rules established by the state of California and are subject to renewal every four years by the California legislature. Legislation to extend the CHCF-A program to January 1, 2023, was adopted in September 2018.

Other sources of revenues are not rate regulated and include directory, and other incidental services.

All operating expenses and telecommunications plant in service are related primarily to regulated revenues. However, some of these costs jointly relate to regulated and nonregulated services. For settlement, USF, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on costs of providing regulated services.

Income taxes – Deferred income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is more likely than not that some or all of its deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary.

The Company records uncertain tax positions whereby the effect of the uncertainty would be recorded if the likelihood that the position would be sustained upon examination is less than 50%. As of June 30, 2021 and 2020, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Comprehensive income – Comprehensive income is defined as the change in equity of a business enterprise during a period as a result of net income and other gains and losses affecting equity that, under accounting principles generally accepted in the United States of America, are excluded from net income.

Concentrations of risk – The Company's cash and cash equivalents are held by several banking institutions to minimize risk. At various times throughout the year, the balances exceeded federally insured limits. A possible loss exists for those amounts in excess of \$250,000. The Company minimizes this risk by utilizing numerous financial institutions for deposits of cash and temporary cash investments.

In 2021, the Company received \$6,933,910 from the Federal Universal Service Fund and \$4,156,252 from the CHCF-A. In 2020, the Company received \$6,687,600 from the Federal Universal Service Fund and \$3,277,307 from the CHCF-A. These amounts represent 61% for 2021 and 59% for 2020 of the Company's operating revenues.

Financial instruments measured at fair value – The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's financial assets that are accounted for at fair value include marketable securities and alternative investments.

Uncertainties – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management continues to monitor the evolution of this pandemic, including how it may affect the economy and the general population. Given the dynamic nature of these circumstances and potential business disruption, the Company could experience a significant short-term impact to operations. Given the uncertainty about the situation, it is unable to estimate any impact to the financial statements.

The Ponderosa Telephone Co.

Notes to Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Company has evaluated subsequent events through October 27, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – MARKETABLE SECURITIES

A summary of the cost, gross unrealized holding gains and losses, and fair value for marketable securities available for sale as of June 30, are as follows:

	Cost	Unrealized Holding		Fair Value
		Gains	(Losses)	
2021				
Equity securities	\$ 7,971,789	\$ 1,819,565	\$ (15,621)	\$ 9,775,733
	<u>\$ 7,971,789</u>	<u>\$ 1,819,565</u>	<u>\$ (15,621)</u>	<u>\$ 9,775,733</u>
2020				
Equity securities	\$ 7,556,376	\$ 1,049,141	\$ (428,574)	\$ 8,176,943
	<u>\$ 7,556,376</u>	<u>\$ 1,049,141</u>	<u>\$ (428,574)</u>	<u>\$ 8,176,943</u>

Equity securities are classified within Level 1 of the valuation hierarchy. Management evaluates securities for other-than-temporary impairment when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost and the financial condition of the issuer.

A summary of investment activity recognized is as follows for the years ending June 30:

	2021	2020
Unrealized gains (losses) on equity securities	\$ 1,183,377	\$ (999,719)
Realized gains on securities	<u>1,516,425</u>	<u>717,755</u>
	<u>\$ 2,699,802</u>	<u>\$ (281,964)</u>

Proceeds realized from the sale of available-for-sale securities were \$9,307,658 and \$10,488,127 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, gross realized gains and losses included in income were \$2,071,763 and \$555,338, respectively. During the year ended June 30, 2020, gross realized gains and losses included in income were \$1,686,335 and \$968,580, respectively.

NOTE 3 – ALTERNATIVE INVESTMENTS

Alternative investments consist of a 1.9% ownership interest in Gryphon Mezzanine Partners, L.P. The Company has committed to contribute to this investment and the commitment represents the maximum amount that can be called by the investee. Capital calls are due on demand and the total remaining commitment was \$252,668 as of June 30, 2021. This investment includes an unrealized gain adjustment of \$63,342 as of June 30, 2021, and is valued at fair value using the net asset value per share as a practical expedient.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets consist of FCC licenses, with a cost basis of \$166,400, which are deemed by management to have an indefinite life and are not amortized but are subject to an annual impairment test. For the years presented, management estimates that fair value approximates cost and that the Company's future cash flows are not materially impacted by its ability to extend or renew the licenses.

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT

The major classes of property, plant, and equipment consist of the following as of June 30:

	Depreciable Life in Years	Plant Account	Accumulated Depreciation	2021 Net Balance	2020 Net Balance
Regulated plant in service:					
Land		\$ 138,171	\$ -	\$ 138,171	\$ 138,171
General support	3 to 22	17,764,388	15,356,763	2,407,625	2,380,165
Central office	6 to 8	35,857,945	34,632,070	1,225,875	1,886,388
Cable and wire facilities	5 to 25	90,435,467	70,704,872	19,730,595	20,297,005
		144,195,971	120,693,705	23,502,266	24,701,729
Regulated plant under construction		5,510,081	-	5,510,081	4,331,523
Nonregulated plant in service equipment	3 to 5	80,777	67,152	13,625	17,160
		<u>\$ 149,786,829</u>	<u>\$ 120,760,857</u>	<u>\$ 29,025,972</u>	<u>\$ 29,050,412</u>

NOTE 6 – PENSION PLAN

The Company maintains a 401(k) plan for its full-time employees. All full-time employees are eligible upon employment with the Company. Employer contributions are equal to 10% of the participants' qualifying compensation. Vesting for participants is full and immediate after two years of service. The Company also matches each participant's salary deferral contribution to a maximum of \$500 each year. Contributions to the plan by the Company were \$579,248 and \$569,270 for the years ended June 30, 2021 and 2020, respectively.

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Notes to Financial Statements

NOTE 7 – POSTRETIREMENT BENEFIT PLAN

The Company sponsors a defined postretirement benefit plan for retirees that covers substantially all employees. The plan provides health care benefits for up to three years, provided the employee has at least 20 years of service with the Company, and is at least 62 years old on the date of retirement. The plan anticipates that benefits offered under the plan will be adjusted periodically in accordance with the changes adopted for the active employees. Contributions are limited to the amounts permitted under the Internal Revenue Service rules for determining tax-deductible contributions.

Information for the plan with an accumulated benefit obligation in excess of plan assets is as follows as of June 30:

	2021	2020
Projected benefit obligation	\$ 334,883	\$ 196,084
Significant post retirement benefit assumptions:		
Weighted-average assumptions used to determine benefit costs		
Discount rate	3.75%	4.5%
Medical cost trend rate	7.0%	7.3%
Health care inflation rate		
Initial rate	7.0%	6.5%
Ultimate rate	5.0%	5.0%
Year ultimate rate achieved	2023	2020

Management has elected a pay-as-you-go funding where payments to the plan are only made to cover expenses as incurred.

The Company expects to make other benefit payments totaling \$45,000 in 2022, which reflect expected future service as appropriate.

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Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of mortgage notes payable to the United States of America, administered by the Rural Utilities Service and is as follows as of June 30:

Interest Rate	Date of Maturity	Original Amount	2021	2020
5.00%	2022	\$ 3,752,000	\$ 84,747	\$ 315,952
4.10%	2024	1,722,788	556,493	701,671
2.92%	2024	5,317,459	1,634,091	2,071,550
3.59%	2024	1,930,739	609,276	770,536
2.03%	2024	851,219	251,234	319,963
1.74%	2024	5,319,847	1,578,502	2,023,745
2.92%	2024	8,402,354	2,916,118	3,718,786
RUS cushion of credit advance payments			(683,767)	(655,491)
			6,946,694	9,266,712
Loan origination costs			(59,570)	(18,419)
			6,887,124	9,248,293
Less current maturities			2,188,872	2,291,372
			<u>\$ 4,698,252</u>	<u>\$ 6,956,921</u>

Current maturities of long-term debt for each of the five years following the balance sheet date are:

2022	\$ 2,188,872
2023	2,191,475
2024	2,238,895
2025	327,452
Thereafter	-
	<u>\$ 6,946,694</u>

Substantially all assets are pledged as security for the above notes. These mortgage notes are to be repaid in equal monthly installments covering principle and interest beginning after date of issue and through date of maturity.

The terms of the mortgage agreements contain restrictions requiring the maintenance of defined amounts of stockholder's equity, working capital, dividend payments, and other restrictions. Dividend payments are allowed up to the amount by which the total of its adjusted net worth exceeds a minimum net worth requirement, as defined.

The Company has invested in a cushion of credit instrument made available by the Rural Utilities Service (RUS). These advance payment deposits can only be used as future interest and principal payments on RUS funds. Because the Company cannot access these funds, it considers these deposits advance payments on its outstanding RUS debt. As of December 20, 2018, no more deposits can be made to the cushion of credit account. As of this year, interest rates follow the one-year treasury rate.

The Ponderosa Telephone Co.

Notes to Financial Statements

NOTE 9 – CAPITAL STOCK

Preferred stock dividends are 6% cumulative, payable annually as authorized by the Board of Directors. Each share of preferred stock has one vote and has preference over common stock to the extent of dividends in arrears. In the event of dissolution, the preferred shareholders receive 106% of the par value of shares outstanding prior to distribution to common shareholders. The preferred stock is subject to optional redemption at 106% of par.

NOTE 10 – INCOME TAXES

The components of the provision for income tax expense for the years ended June 30, are as follows:

	2021	2020
Current expense		
Federal	\$ 536,789	\$ (713,634)
State	389,594	289,750
Deferred expense		
Federal	253,893	978,217
State	104,237	(102,730)
	<u>\$ 1,284,513</u>	<u>\$ 451,603</u>

The Company computes and records federal income and California income taxes on a separate return basis, but files a federal consolidated tax return and Unitary State tax return with Ponderosa Communications, Inc., the parent of the affiliated group.

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before income taxes due to the effects of state taxes (net of federal benefit), nondeductible items, prior year over or under accruals.

The components of the net deferred tax assets at June 30, are as follows:

	2021	2020
Current deferred tax assets (liabilities)		
Accrued vacations	\$ 261,022	\$ 309,668
Federal deferral of state franchise tax	42,916	19,506
Total current deferred tax assets (liabilities)	<u>303,938</u>	<u>329,174</u>
Noncurrent deferred tax assets (liabilities)		
Property – depreciation	(417,006)	(354,413)
Investments – marketable securities/alternative investment	(522,534)	(194,548)
Nonoperating assets	29,526	18,540
Other	58,170	8,306
Total noncurrent deferred tax assets (liabilities)	<u>(851,844)</u>	<u>(522,115)</u>
Net noncurrent deferred tax asset (liability)	<u>\$ (547,906)</u>	<u>\$ (192,941)</u>

The Ponderosa Telephone Co.

Notes to Financial Statements

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted. The CARES Act changed net loss carryforward and back provisions and the business interest expense limitation. The Company has evaluated the impact of the CARES Act and determined that none of the changes would result in a material cash benefit to the Company.

NOTE 11 – OPERATING REVENUES

The following tables provide disaggregation of revenue from contracts with customers:

For the Year Ended June 30, 2021			
	Total	Revenue from Contracts with Customers	Other Revenue
Local services	\$ 2,762,640	\$ 2,762,640	\$ -
Interstate access	6,788,836	6,788,836	-
Intrastate access	348,070	348,070	-
Interstate high cost loop support	3,171,976	-	3,171,976
State high cost fund support	4,156,252	-	4,156,252
Nonregulated	169,671	169,671	-
Miscellaneous	656,730	258,021	398,709
	<u>\$ 18,054,175</u>	<u>\$ 10,327,238</u>	<u>\$ 7,726,937</u>

For the Year Ended June 30, 2020			
	Total	Revenue from Contracts with Customers	Other Revenue
Local services	\$ 2,918,088	\$ 2,918,088	\$ -
Interstate access	6,865,886	6,865,886	-
Intrastate access	359,961	359,961	-
Interstate high cost loop support	3,299,618	-	3,299,618
State high cost fund support	3,277,307	-	3,277,307
Nonregulated	168,597	168,597	-
Miscellaneous	513,289	118,852	394,437
	<u>\$ 17,402,746</u>	<u>\$ 10,431,384</u>	<u>\$ 6,971,362</u>

Interstate and intrastate access settlements and federal and state universal service programs are not considered revenue from contracts with customers and are specifically scoped out of ASC 606.

Miscellaneous other revenue includes revenues from rent for use of the Company's assets that are specifically scoped out of ASC 606.

Revenue from services is recognized over time as customers receive the services. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered.

The Ponderosa Telephone Co.

Notes to Financial Statements

Contracts with customers that generate contract assets generally include arrangements for services that are billed after services are provided such as access charges for other telecommunications carrier's use of the Company's network or for long distance services. Contract assets are classified as settlement and access receivables on the balance sheet. Contracts that generate contract liabilities include arrangements for services that are billed to or paid by the customer before services are provided such as local and internet services. Contract liabilities are classified as advance billing and customer deposits on the balance sheet.

The Company does not incur material contract fulfillment costs associated with its contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360, *Property, Plant and Equipment*.

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income consisted of the following as of June 30, 2021 and 2020:

	Available for Sale Securities	Alternative Investment	Total
Ending balance, 2019	\$ 1,109,213	\$ 29,488	\$ 1,138,701
Adoption of ASU 2016-01	(1,109,213)	-	(1,109,213)
Other comprehensive income	<u>-</u>	<u>24,276</u>	<u>24,276</u>
Ending balance, 2020	-	53,764	53,764
Other comprehensive income	<u>-</u>	<u>(8,147)</u>	<u>(8,147)</u>
Ending balance, 2021	<u><u>\$ -</u></u>	<u><u>\$ 45,617</u></u>	<u><u>\$ 45,617</u></u>

NOTE 13 – CALIFORNIA ADVANCE SERVICES FUND GRANTS

During the year ended June 30, 2014, the Company received approval for grant funds with the CPUC under the California Advance Services Fund (CASF) for unserved and underserved broadband projects for \$3,680,996.

As of June 30, 2021, the Company has completed two of the three projects for a total CASF grant amount of \$1,604,924, for which all funds have been received. The Company has received final approval from the CPUC to begin construction on the third project, and portions are currently under construction. The grant funds associated with the third project are \$1,755,042. A total receivable of \$689,137 has been recorded as of June 30, 2021.

NOTE 14 – RELATED-PARTY TRANSACTIONS

The Company has a five-year operating lease agreement with major shareholders commencing on January 1, 2006, with the option to extend the lease for two successive five-year terms and one four-year term. The lease is for 11.15 acres of property on which an engineering and service center building and customer service building constructed by the Company are located. Payments of \$21,610 are due annually. The lease agreement expired during the year and the Company is now leasing the property on a month-to-month basis.

The Ponderosa Telephone Co.

Notes to Financial Statements

The Company provides various services and assigns cost to its affiliates under common control: Ponderosa Communications, Inc., Ponderosa PCS, SWD Investments, Inc., SWD Friant Ranch, Inc., Stageline Communications, Inc., Depot Development, Inc., Table Top Telephone Company, Ponderosa Cablevision, and Ponderosa Ventures. The Company computes charges or assigns costs to affiliates monthly for regulated and nonregulated services, payroll, overheads, and semi-annually for certain other shared services. Total charges for the years ended June 30, 2021 and 2020, were \$4,401,839 and \$4,580,782, respectively. Amounts due from these billings are included in affiliated accounts receivable.

The Company receives internet and long distance services from one of its affiliated companies, Ponderosa Cablevision. Total charges for the years ended June 30, 2021 and 2020, were \$57,187 and \$52,974, respectively. Amounts owed from these billings are included in affiliate payables.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Ponderosa Telephone Co.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Ponderosa Telephone Co. (the Company), which comprise the balance sheet as of June 30, 2021, and the related statements of income, comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Ponderosa Telephone Co.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mass Adams LLP". The signature is written in a cursive, flowing style.

Stockton, California
October 27, 2021

Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Telecommunications Borrowers and Grantees

The Board of Directors
The Ponderosa Telephone Co.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Ponderosa Telephone Co., which comprise the balance sheet as of June 30, 2021, and the related statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021. In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of The Ponderosa Telephone Co.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. No reports other than the reports referred to above related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions on its loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding The Ponderosa Telephone Co.'s accounting and records to indicate that the Company did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval for the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;

- Obtain written RUS approval to enter into any contract, agreement, or lease with an affiliate as defined in §1773.33(d)(2)(i);
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Comply with the requirements for the detailed schedule of investments.

The Company does not have any investments in affiliates as of June 30, 2021.

The purpose of this report is intended solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and regulatory requirements for telecommunications borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Stockton, California
October 27, 2021

Unaudited December 31, 2021 Financial Statement

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
INCOME STATEMENT
December 31, 2021

	CURRENT MONTH	Y-T-D BALANCE
OPERATING REVENUES		
Local Service Revenues	244,225.10	2,907,335.46
CA State High Cost Fund	257,000.79	3,951,522.26
Access Revenues & USF	976,633.45	10,966,340.09
Directory Revenue	2,892.41	26,373.54
Miscellaneous Revenues	32,952.12	636,040.42
Uncollectible Revenue	(1,600.86)	(2,067.51)
	-----	-----
TOTAL OPERATING REVENUES	1,512,103.01	18,485,544.26
	-----	-----
OPERATING EXPENSES		
Plant Specific Expenses	277,086.90	4,045,242.54
Plant Non-Specific Expenses	209,042.74	2,441,461.08
Depreciation	329,521.98	4,226,286.34
Customer Operations Expenses	103,288.53	1,108,899.69
Corporate Operations Expenses	188,151.90	2,221,999.40
	-----	-----
TOTAL OPERATING EXPENSES	1,107,092.05	14,043,889.05
	-----	-----
OPERATING TAXES		
Federal Income Tax Expense	(66,621.00)	595,705.00
State Income Tax Expense	79,822.00	388,288.00
Property Tax Expense	27,706.74	465,497.90
	-----	-----
TOTAL OPERATING TAXES	40,907.74	1,449,490.90
	-----	-----
OPERATING INCOME	364,103.22	2,992,164.31
NON-OPERATING REVENUES		
Interest Income	10,320.32	162,869.61
Gain/Loss on Investments	11,208.65	1,970,558.94
Unrealized Gain/Loss on Investments	224,172.87	(577,685.06)
AFUDC	1,196.61	26,367.85
Other Non-Operating Revenues	215,372.94	488,872.55
	-----	-----
NON-OPERATING REVENUES	462,271.39	2,070,983.89
	-----	-----
NON-OPERATING EXPENSES		
Special Charges	4.16	49,842.86
Contributions	643.07	48,129.43
Interest and Amortization	24,166.16	234,009.42
Non-Operating Expense-Misc/Other	3,087.24	78,727.39
Non-Operating Taxes	(84,016.36)	316,170.93
	-----	-----
NON-OPERATING EXPENSES	(56,115.73)	726,880.03
	-----	-----
NON-REGULATED		
Non-Regulated Revenues	13,910.26	171,936.14
Non-Regulated Expenses	133,311.69	329,269.44
Non-Regulated Taxes	(1,474.88)	(13,441.09)
	-----	-----
NON-REGULATED NET INCOME	(117,926.55)	(143,892.21)
	-----	-----
NET INCOME	764,563.79	4,192,375.96
	=====	=====

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
BALANCE SHEET
December 31, 2021

ASSETS	BALANCE

CURRENT ASSETS	
Cash and Cash Equivalents	13,117,944.93
A/R Telecommunications	814,130.32
A/R-CASF Grant Funds Receivable	687,397.19
A/R Other	134,435.14
A/R USAC, ULTS & CTF Support	79,694.04
A/R Access	1,427,797.77
Materials and Supplies	841,552.72
A/R Intercompany	1,803,087.42
Prepays	611,166.39

TOTAL CURRENT ASSETS	19,517,205.92

NON-CURRENT ASSETS	
Non-Regulated Investments	166,400.00
Marketable Securities Held t	0.00
Investments in Non-Affiliated Companies	10,897,101.65
Unamortized Debt Issuance	61,332.77
Other Deferred Charges	35,129.16

NON-CURRENT ASSETS	11,159,963.58

PLANT, PROPERTY & EQUIPMENT	
Telephone Plant Under Construction	6,053,915.25

General Support Assets	17,798,741.45
Central Office & Transmission	36,099,565.23
Cable & Wire Facilities	91,729,050.38

PLANT IN SERVICE	145,627,357.06

GROSS PROPERTY, PLANT & EQUIPMENT	151,681,272.31

ACCUMULATED DEPRECIATION	
General Support Assets	(15,518,913.66)
Central Office & Transmission	(35,232,420.76)
Cable & Wire Facilities	(71,777,824.07)

ACCUMULATED DEPRECIATION	(122,529,158.49)

NET TELECOM PLANT IN SERVICE	23,098,198.57

NET PROPERTY, PLANT & EQUIPMENT	29,152,113.82

Non-Operating Plant	80,777.30
A/D Non-Operating Property	(68,919.86)

NET PLANT	29,163,971.26

TOTAL ASSETS	59,841,140.76
	=====

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
BALANCE SHEET - continued
December 31, 2021

LIABILITIES AND EQUITY	BALANCE

CURRENT LIABILITIES	
A/P Invoices	516,763.70
A/P Sick & Vacation	987,288.92
A/P Other	503,282.04
A/P Interexchange Carrier	1,716.54
A/P NECA	177,900.00
A/P Taxes & Surcharges	53,357.70
A/P Payroll Withholdings	9,876.61
A/P Intercompany	1,063,898.77

SUBTOTAL - ACCOUNTS PAYABLE	3,314,084.28
Advance Billing & Payments	247,617.66
Customer Deposits	11,706.61
Current Maturities	2,186,242.14
Accrued Taxes	2,201,220.08
Current Deferred Income Taxes	(109,284.00)
Unmatured Interest	(52.35)
Other Current Liabilities	644,907.28

TOTAL CURRENT LIABILITIES	8,496,441.70

OTHER LIABILITIES & DEFERRED CREDITS	
Long Term Debt - RUS	4,347,266.52
Non-Current Deferred Operating Inc Tax	(376,609.70)
Non-Current Deferred Non-Op Inc Tax	434,260.53
Other Deferred Credits	334,883.00

TOTAL OTHER LIABS. & DEFERRED CREDITS	4,739,800.35

STOCKHOLDER'S EQUITY	
Capital Stock Outstanding	853,780.00
Retained Earnings	45,739,429.10
Unrealized Gain/Loss on Investment	11,689.61
Current Net Income	0.00

TOTAL EQUITY	46,604,898.71

TOTAL LIABILITIES & EQUITY	59,841,140.76
	=====

Unaudited July 31, 2022
Financial Statement

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
INCOME STATEMENT
July 31, 2022

	CURRENT MONTH	Y-T-D BALANCE
OPERATING REVENUES		
Local Service Revenues	246,352.92	1,699,145.16
CA State High Cost Fund	321,186.90	2,248,308.30
Access Revenues & USF	900,556.73	6,039,651.61
Directory Revenue	3,149.03	12,197.50
Miscellaneous Revenues	32,950.30	252,197.41
Uncollectible Revenue	3,270.00	(13,793.76)
TOTAL OPERATING REVENUES	1,507,465.88	10,237,706.22
OPERATING EXPENSES		
Plant Specific Expenses	283,900.39	2,499,774.18
Plant Non-Specific Expenses	228,763.79	1,470,724.48
Depreciation	267,208.46	2,118,341.71
Customer Operations Expenses	76,260.09	593,515.48
Corporate Operations Expenses	193,351.91	1,507,362.31
TOTAL OPERATING EXPENSES	1,049,484.64	8,189,718.16
OPERATING TAXES		
Federal Income Tax Expense	79,208.00	(93,601.00)
State Income Tax Expense	36,576.00	145,565.00
Property Tax Expense	38,113.24	265,798.62
TOTAL OPERATING TAXES	153,897.24	317,762.62
OPERATING INCOME	304,084.00	1,730,225.44
NON-OPERATING REVENUES		
Interest Income	7,018.94	63,751.76
Gain/Loss on Investments	12,585.98	5,390.18
Unrealized Gain/Loss on Investments	421,741.64	(1,039,224.13)
AFUDC	2,016.93	12,257.79
Other Non-Operating Revenues	0.00	29,263.48
NON-OPERATING REVENUES	443,363.49	(928,560.92)
NON-OPERATING EXPENSES		
Special Charges	1,885.30	25,540.68
Contributions	2,749.88	44,813.48
Interest and Amortization	16,536.89	108,474.90
Non-Operating Expense-Misc/Other	13,587.26	49,993.85
Non-Operating Taxes	116,878.50	116,878.50
NON-OPERATING EXPENSES	151,637.83	345,701.41
NON-REGULATED		
Non-Regulated Revenues	14,183.41	99,361.48
Non-Regulated Expenses	3,199.38	112,667.25
Non-Regulated Taxes	3,074.00	3,178.66
NON-REGULATED NET INCOME	7,910.03	(16,484.43)
NET INCOME	603,719.69	439,478.68

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
BALANCE SHEET
July 31, 2022

ASSETS	BALANCE

CURRENT ASSETS	
Cash and Cash Equivalents	18,169,118.96
A/R Telecommunications	837,837.75
A/R-CASF Grant Funds Receivable	687,397.19
A/R Other	120,774.42
A/R USAC, ULTS & CTF Support	74,992.93
A/R Access	1,389,576.66
Materials and Supplies	1,641,917.21
A/R Intercompany	597,797.44
Prepays	85,892.23

TOTAL CURRENT ASSETS	23,605,304.79

NON-CURRENT ASSETS	
Non-Regulated Investments	166,400.00
Marketable Securities Held t	0.00
Investments in Non-Affiliated Companies	1,100,669.25
Unamortized Debt Issuance	57,689.07
Other Deferred Charges	23,246.50

NON-CURRENT ASSETS	1,348,004.82

PLANT, PROPERTY & EQUIPMENT	
Telephone Plant Under Construction	9,926,930.98

General Support Assets	17,807,701.36
Central Office & Transmission	36,238,620.03
Cable & Wire Facilities	92,566,550.68

PLANT IN SERVICE	146,612,872.07

GROSS PROPERTY, PLANT & EQUIPMENT	156,539,803.05

ACCUMULATED DEPRECIATION	
General Support Assets	(15,834,304.69)
Central Office & Transmission	(35,617,326.32)
Cable & Wire Facilities	(73,005,655.83)

ACCUMULATED DEPRECIATION	(124,457,286.84)

NET TELECOM PLANT IN SERVICE	22,155,585.23

NET PROPERTY, PLANT & EQUIPMENT	32,082,516.21

Non-Operating Plant	80,777.30
A/D Non-Operating Property	(70,981.99)

NET PLANT	32,092,311.52

TOTAL ASSETS	57,045,621.13
	=====

THE PONDEROSA TELEPHONE CO.
SUMMARY FINANCIALS
BALANCE SHEET - continued
July 31, 2022

LIABILITIES AND EQUITY	BALANCE

CURRENT LIABILITIES	
A/P Invoices	477,152.04
A/P Sick & Vacation	907,868.59
A/P Other	770,538.30
A/P Interexchange Carrier	806.85
A/P NECA	195,210.00
A/P Taxes & Surcharges	34,903.21
A/P Payroll Withholdings	11,173.68
A/P Intercompany	246,238.79

SUBTOTAL - ACCOUNTS PAYABLE	2,643,891.46
Advance Billing & Payments	257,424.02
Customer Deposits	8,630.05
Current Maturities	2,188,555.80
Accrued Taxes	977,751.38
Current Deferred Income Taxes	(109,284.00)
Unmatured Interest	0.00
Other Current Liabilities	168,197.17

TOTAL CURRENT LIABILITIES	6,135,165.88

OTHER LIABILITIES & DEFERRED CREDITS	
Long Term Debt - RUS	3,772,310.42
Non-Current Deferred Operating Inc Tax	(753,329.85)
Non-Current Deferred Non-Op Inc Tax	552,279.03
Other Deferred Credits	333,370.02

TOTAL OTHER LIABS. & DEFERRED CREDITS	3,904,629.62

STOCKHOLDER'S EQUITY	
Capital Stock Outstanding	853,780.00
Retained Earnings	45,739,429.10
Unrealized Gain/Loss on Investment	(26,862.15)
Current Net Income	439,478.68

TOTAL EQUITY	47,005,825.63

TOTAL LIABILITIES & EQUITY	57,045,621.13
	=====

Exhibit D

The Ponderosa Telephone Co.
Telephone Plant in Service
2024

Acct. No.	Account	Balance 12-31-23	Additions	Retirements	Transfers	Balance 12-31-24
2111000	Land	138,171	-	-	-	138,171
2112000	Motor Vehicles	1,908,475	175,000	(161,488)	-	1,921,987
2114000	Other Work Equipment	942,554	55,000	-	-	997,554
2114100	Garage Work Equipment	1,176,163	-	-	-	1,176,163
2121000	Buildings	9,453,940	80,000	-	-	9,533,940
2122000	Furniture & Artwork	504,608	145,000	(50,600)	-	599,008
2123000	Office Equipment	198,098	-	-	-	198,098
2123100	Company Communication Equipment	1,345,558	-	-	-	1,345,558
2124000	General Purpose Computers	3,140,629	530,000	(160,000)	-	3,510,629
2212000	Digital Electronic Switching	1,890,170	-	-	-	1,890,170
2231000	Central Office - Microwave	5,338,755	390,000	(763,324)	-	4,965,431
2232100	CO - Circuit Equipment	24,937,963	678,031	(179,900)	-	25,436,094
2232200	CO - Circuit Equipment - Optical	5,583,774	120,000	-	-	5,703,774
2411000	Poles	304,371	-	-	-	304,371
2421000	Aerial Cable	466,674	-	-	-	466,674
2421100	Aerial Cable Fiber	1,252,602	-	-	-	1,252,602
2422000	Underground Cable	2,041,203	-	-	-	2,041,203
2423000	Buried Cable - Metallic	51,247,495	750,000	(324,218)	-	51,673,277
2423100	Buried Fiber Optic Cable	47,096,238	11,552,019	-	-	58,648,257
2431000	Aerial Wire Metallic	-	-	-	-	-
2441000	Conduit Systems	5,248,417	-	-	-	5,248,417
2682000	Leasehold Improvements	-	-	-	-	-
2690000	Intangibles-Organization	-	-	-	-	-
Total Telephone Plant in Service		164,215,857	14,475,050	(1,639,530)	-	177,051,377
*Prior to Part 64 Adj		*				

The Ponderosa Telephone Co.
Accumulated Depreciation
2024

Depr. Rate	Account	Balance 12-31-23	Depreciation Accrual	Retirements	Other Salvage/COR	Balance 12/31/2024
7.60%	Motor Vehicles	(1,417,350)	(145,558)	161,488	(56,000)	(1,457,420)
0.88%	Other Work Equipment	(931,605)	(8,536)	-	-	(940,141)
0.00%	Garage Work Equipment	(1,176,163)	-	-	-	(1,176,163)
1.40%	Buildings	(8,390,540)	(132,915)	-	-	(8,523,455)
1.84%	Furniture & Artwork	(504,608)	(10,153)	50,600	-	(464,161)
7.64%	Office Equipment	(132,798)	(15,135)	-	-	(147,933)
13.54%	Company Communication Equipment	(1,063,469)	(182,189)	-	-	(1,245,658)
9.51%	General Purpose Computers	(2,337,716)	(316,267)	160,000	-	(2,493,983)
0.00%	Digital Electronic Switching	(1,890,170)	-	-	-	(1,890,170)
8.32%	Central Office - Microwave	(3,814,680)	(428,654)	763,324	(2,365)	(3,482,375)
0.99%	CO - Circuit Equipment	(24,937,963)	(249,352)	179,900	1,672	(25,005,743)
5.52%	CO - Circuit Equipment - Optical	(4,486,696)	(311,536)	-	-	(4,798,232)
10.96%	Poles	(123,910)	(33,359)	-	-	(157,269)
0.00%	Aerial Cable	(606,676)	-	-	-	(606,676)
8.87%	Aerial Cable Fiber	(495,733)	(111,106)	-	-	(606,839)
0.00%	Underground Cable	(2,041,203)	-	-	-	(2,041,203)
1.57%	Buried Cable - Metallic	(47,733,029)	(807,928)	324,218	56,448	(48,160,291)
5.01%	Buried Fiber Optic Cable	(21,624,917)	(2,648,900)	-	-	(24,273,817)
0.00%	Aerial Wire Metallic	-	-	-	-	-
2.77%	Conduit Systems	(3,626,117)	(145,381)	-	-	(3,771,498)
0.00%	Leasehold Improvements	-	-	-	-	-
Total Accumulated Depreciation		(127,335,342)	(5,546,969)	1,639,530	(245)	(131,243,026)
*Prior to Part 64 Adj		*				

Exhibit E

Schedule No. A-20
CUSTOM CALLING SERVICE

APPLICABILITY

Applicable to Custom Calling Service furnished in connection with individual access line business and residence services. Customers must have a touch calling dial telephone.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

		<u>MONTHLY RATE***</u>		
		<u>Business</u>	<u>Residence</u>	
(1)	Individual Features each line*			
(a)	Call Forwarding (regular, busy, delayed)	\$0.00	\$0.00	(R)
(b)	Call Waiting	\$0.00	\$0.00	
(c)	Three Way Calling	\$0.00	\$0.00	
(d)	Customer Changeable Speed Calling			
	1. 8 Code Capacity	\$0.00	\$0.00	
	2. 30 Code Capacity	\$0.00	\$0.00	
(2)	Two Feature Packages, each line*			
(a)	Call Forwarding and Call Waiting**	\$0.00	\$0.00	
(b)	Call Forwarding and Three-Way Calling	\$0.00	\$0.00	
(c)	Call Waiting and Three-Way Calling**	\$0.00	\$0.00	(R)

* Includes all stations

** See Special Condition 3.b(1) Cancel Call Waiting

*** Custom calling service now included with basic local service.

(N)

(Continued)

(To be inserted by utility)
Advice Letter No. _____

Issued by
Kristann Silkwood Mattes

(To be inserted by Cal. P.U.C.)
Date Filed _____

Decision No. _____

President

TITLE

Effective Jan 1, 2024

Resolution No. _____

Schedule No. A-20
CUSTOM CALLING SERVICE
(Continued)

RATES- (Continued)

		<u>MONTHLY RATE***</u>		
		<u>Business</u>	<u>Residence</u>	
(2)	Two Feature Packages, each line* - (Continued)			
(d)	Call Forwarding, Customer Changeable Speed Calling			
1.	8 Code Capacity	\$0.00	\$0.00	(R)
2.	30 Code Capacity	\$0.00	\$0.00	
(e)	Call Waiting and Customer Changeable Speed Calling**			
1.	8 Code Capacity	\$0.00	\$0.00	
2.	30 Code Capacity	\$0.00	\$0.00	
(f)	Three-way Calling and Customer Changeable Speed Calling			
1.	8 Code Capacity	\$0.00	\$0.00	
2.	30 Code Capacity	\$0.00	\$0.00	
(3)	Three Feature Packages, each line*			
(a)	Call Forwarding, Call Waiting and**			
1.	Three-way Calling	\$0.00	\$0.00	
2.	Customer Changeable Speed Calling – 8 Code capacity	\$0.00	\$0.00	
3.	Customer Changeable Speed Calling – 30 Code Capacity	\$0.00	\$0.00	(R)

* Includes all stations

** See Special Condition 3.b(1) Cancel Call Waiting

*** Custom calling service now included with basic local service.

(N)

(Continued)

(To be inserted by utility)
Advice Letter No. _____

Issued by
Kristann Silkwood Mattes

(To be inserted by Cal. P.U.C.)
Date Filed _____

Decision No. _____

President

TITLE

Effective Jan 1, 2024

Resolution No. _____

Schedule No. A-20
CUSTOM CALLING SERVICE
(Continued)

RATES- (Continued)

		<u>MONTHLY RATE***</u>		
		<u>Business</u>	<u>Residence</u>	
(3)	Three Feature Packages, each line* - (Continued)			
(b)	Call Waiting, Three-way Calling, and**			
1.	Customer Changeable Speed Calling - 8 Code Capacity	\$0.00	\$0.00	(R)
2.	Customer Changeable Speed Calling - 30 Code Capacity	\$0.00	\$0.00	
(c)	Three-way Calling, Call Forwarding, and			
1.	Customer Changeable Speed Calling - 8 Code Capacity	\$0.00	\$0.00	
2.	Customer Changeable Speed Calling - 30 Code Capacity	\$0.00	\$0.00	
(4)	Four Feature Packages, each line*			
(a)	Call Forwarding, Call Waiting, Three-way Calling, and**			
1.	Customer Changeable Speed Calling - 8 Code Capacity	\$0.00	\$0.00	
2.	Customer Changeable Speed Calling - 30 Code Capacity	\$0.00	\$0.00	
(5)	Toll restriction, each line	\$0.00	\$0.00	
(6)	Remote Access to Call Forwarding	\$0.00	\$0.00	
(7)	Warm Line	\$0.00	\$0.00	
(8)	Teen Service	\$0.00	\$0.00	(R)

* Includes all stations

** See Special Condition 3.b(1) Cancel Call Waiting

*** Custom calling service now included with basic local service.

(N)

(Continued)

(To be inserted by utility)
Advice Letter No. _____

Issued by
Kristann Silkwood Mattes

(To be inserted by Cal. P.U.C.)
Date Filed _____

Decision No. _____

President
TITLE

Effective Jan 1, 2024
Resolution No. _____

Schedule No. A-20
CUSTOM CALLING SERVICE
(Continued)

RATES- (Continued)

	MONTHLY RATE**		Activation	Deactivation
	Business	Residence	Code	Code
Advanced Custom Calling Services				
(1) Individual Features, each line				
a. Selective Call Forwarding				
1. 10 Telephone Number Screen List	\$0.00	\$0.00	*63	N/A
2. 30 Telephone Number Screen List	\$0.00	\$0.00	*63	N/A
b. Automatic Redial	\$0.00	\$0.00	*66	N/A
c. Call Return	\$0.00	\$0.00	*69	N/A
d. Selective Call Acceptance				
1. 10 Telephone Number Screen List	\$0.00	\$0.00	*64	N/A
2. 30 Telephone Number Screen List	\$0.00	\$0.00	*64	N/A
e. Selective Call Rejection				
1. 10 Telephone Number Screen List	\$0.00	\$0.00	*60	N/A
2. 30 Telephone Number Screen List	\$0.00	\$0.00	*60	N/A
f. Priority Ringing				
1. 10 Telephone Number Screen List	\$0.00	\$0.00	*61	N/A
2. 30 Telephone Number Screen List	\$0.00	\$0.00	*61	N/A
g. Anonymous Call Rejection	\$0.00	\$0.00	*77	N/A
h. Caller ID	\$0.00	\$0.00	N/A	N/A
i. Caller ID Blocking				
1. Selective	No Charge	No Charge	*67	N/A
2. Complete	No Charge	No Charge	N/A	*82
j. Calling Name/Number	\$0.00	\$0.00	N/A	N/A

(2) Multiple Feature Discount Plan, per line

A discount will apply to additional Advanced Custom Calling Services subscribed to based on the following schedule:

<u>Per Feature Credit*</u>	<u>Credit Per Month**</u>	
a. Two Features	\$0.00	
b. Three Features	\$0.00	
c. Four Features	\$0.00	
d. Five Features	\$0.00	
e. Six Features	\$0.00	
f. Seven Features	\$0.00	
g. Eight Features	\$0.00	(R)

* Caller ID Blocking, Call Trace, and Usage Sensitive Features are not offered as part of the above Discount package.

** Custom calling service now included with basic local service.

(N)

(Continued)

(To be inserted by utility)

Advice Letter No. _____

Issued by
Kristann Silkwood Mattes

(To be inserted by Cal. P.U.C.)

Date Filed _____

Decision No. _____

President _____

Effective _____

Jan 1, 2024

TITLE

Resolution No. _____

Schedule No. A-20
CUSTOM CALLING SERVICE
(Continued)

RATES- (Continued)

Advanced Custom Calling Services (Continued)

(3) Usage Sensitive Features, per Activation

	<u>Per</u> <u>Activation*</u>	<u>Monthly</u> <u>Cap*</u>	<u>Activation</u> <u>Code</u>	<u>Deactivation</u> <u>Code</u>	
a. Call Trace	\$0.00	\$0.00	*57	N/A	(R)
b. Call Return	0.00	0.00	*69	*89	
c. Automatic Redial	0.00	0.00	*66	*86	(R)

(4) Classic Voice Feature Package – A flat rate monthly charge will apply for the following Custom Calling and Advanced Custom Calling Services:

		<u>Monthly Rate*</u>		
		<u>Business</u>	<u>Residence</u>	
Anonymous Call Rejection	Automatic Call Return	\$0.00	\$0.00	(R)
Automatic Redial	Busy Call Forwarding			
Call Forwarding	Call Waiting			
Priority Ringing	Selective Call Acceptance			
Selective Call Forwarding	Selective Call Rejection			
Speed Calling	Three Way Calling			
Caller ID Complete & Selective Blocking				

(5) Classic Voice Plus Feature Package – A flat rate monthly charge will apply for the following Custom Calling and Advanced Custom Calling Services.

		<u>Monthly Rate*</u>		
		<u>Business</u>	<u>Residence</u>	
Anonymous Call Rejection	Automatic Call Return	\$0.00	\$0.00	(R)
Automatic Redial	Busy Call Forwarding			
Call Forwarding	Call Waiting			
Priority Ringing	Selective Call Acceptance			
Selective Call Forwarding	Selective Call Rejection			
Speed Calling	Three Way Calling			
Calling Name Caller ID				
Caller ID Complete & Selective Blocking				

* Custom calling service now included with basic local service. (N)

(Continued)

(To be inserted by utility)
Advice Letter No. _____

Issued by
Kristann Silkwood Mattes

(To be inserted by Cal. P.U.C.)
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President
TITLE

Effective Jan 1, 2024

Resolution No. _____

Schedule No.A-35
VOICE MAIL SERVICE

APPLICABILITY

Applicable to Voice Mail Service, an optional central office based voice messaging system with the capability to record and store messages for subsequent playback, furnished to business and residence customers.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

	Monthly Rate	
1. Voice Mail – 10* 10 Minutes of Storage	\$0.00	(R)
2. Voice Mail – 20* 20 Minutes of Storage	\$0.00	(R)
3. Voice Mail – 30* 30 Minutes of Storage	\$0.00	(R)
4. Voice Mail – 40* 40 Minutes of Storage	\$0.00	(R)
5. Optional Features		
a. Message Waiting Light Indication	\$0.00	(R)
b. Remote Message Notification	\$0.00	
c. Greeting Only - (Bulletin Board)	\$0.00	
d. Out-Dial - (Non-Toll Number/Operator)	\$0.00	
e. Voice Menu - per application	\$0.00	
f. Voice Menu - per prompt or announcement	\$0.00	(R)

* Sub Mailboxes (3 – 9) at the same level of storage are available for the same price as those shown in 1 through 4., above.

** Custom calling service now included with basic local service. (N)

(Continued)

(To be inserted by utility)

Advice Letter No. _____

Issued by
Kristann Silkwood Matte

(To be inserted by Cal. P.U.C.)

Date Filed _____

Decision No. _____

President

Effective Jan 1, 2024

TITLE

Resolution No. _____

Schedule No.A-35
VOICE MAIL SERVICE
(Continued)

RATES- (Continued)

6. Miscellaneous Charges:

a. Replace lost password

1) Replace lost password rate**

\$0.00

(N)

See SPECIAL CONDITIONS No. 2.i.

SPECIAL CONDITIONS

1. Service Description

a. Voice Mail is a service that permits incoming dialed calls to be answered by an electronic voice answering system if the call is not otherwise answered or the line is busy. Messages are stored in a private "mailbox" and can be retrieved from any touch calling phone at any location.

b. Voice Mail packages 10, 20, 30, and 40 are identical message handling services, with the exception of the number of minutes of incoming storage, ie. Voice Mail – 10 designates a minimum 10 minutes of message storage.

2. Standard Features

- a. Auto Login
- b. Minimum minutes of storage per voice mailbox package
- c. Standard and personalized greetings
- d. Played message retention features
- e. Message editing
- f. Time and date stamp for recorded messages
- g. Compose, send, forward, reply to messages
- h. Distribution Lists
- i. Message Waiting Indication
- j. 1 additional sub-mailbox on same phone number
- k. e-Forward™*

* Includes Internet Management capability. See Special Conditions 3.k., following.

** Custom calling service now included with basic local service.

(Continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No.

Kristann Silkwood Matte

Date Filed

Decision No.

President

Effective

Jan 1, 2024

TITLE

Resolution No.

Exhibit F
[Public]

Confidential;
portions
redacted

The Ponderosa Telephone Co.
Separated Results of Operations Forecast with Proposed Changes
Test Year 2024

	Total Company	Total Intrastate	Proposed Changes	Broadband Imputation	Proposed Intrastate
Operating Revenues:					
1 Local Revenue	\$ 2,733,348	\$ 2,920,161	\$ (186,814)		\$ 2,733,348
Intrastate:					
2 Special Access Revenue	96,336	96,336			96,336
3 Switch Access Revenue	234,667	234,667			234,667
4 Interstate USF - HCLS	3,795,998	3,795,998			3,795,998
5 Interstate Settlement Revenue	8,742,093	-			-
6 Miscellaneous Revenue	114,308	111,369			111,369
7 CHCF - A	3,404,985	3,404,985	3,279,058		
8 Less: Uncollectibles	(2,068)	(1,885)	-		(1,885)
9 Total	19,119,667	10,561,631	3,092,244		
Operating Expenses:					
10 Plant Specific	4,645,427	2,885,289			2,885,289
11 Plant Non-Specific (less Depreciation)	2,841,866	1,627,302			1,627,302
12 Customer Operations	1,248,526	557,153			557,153
13 Corporate Operations	2,323,716	1,330,032			1,330,032
14 Subtotal	11,059,535	6,399,776	-	-	6,399,776
15 Depreciation & Amortization	5,431,653	3,360,985			3,360,985
16 Other Taxes	569,845	370,236			370,236
17 State Income Taxes	160,424	23,235			
18 Federal Income Taxes	347,408	50,317			
19 Amortized Excess Deferred Income Tax	13,304	-			-
20 Allowance for Funds Used During Construction	-	-			-
21 Total	17,582,169	10,204,549	865,321	-	11,069,870
22 Net Operating Income	1,537,498	357,082			
Rate Base:					
23 2001 - TPIS	168,543,129	110,515,776			110,515,776
24 2003 - TPUC	894,375	586,452			586,452
25 1220 - Materials and Supplies	1,988,419	1,441,860			1,441,860
26 1500 - Other Regulatory Asset	-	-			-
27 Working Cash	1,089,501	636,368			636,368
28 Less: Accumulated Depreciation	127,588,988	82,594,643			82,594,643
29 Less: Deferred Inc Tax	128,543	(180,034)			(180,034)
30 Less: UEDTB	(81,495)	-			-
31 Less: Customer Deposits	2,548	1,671			1,671
32 Less: Post Retirement	249,957	148,002			148,002
33 Total Rate Base	\$ 44,626,882	\$ 30,616,174	\$ -	\$ -	\$ 30,616,174
34 Ponderosa Rate of Return		<u>1.17%</u>			
35 Net Operating Income (From Above)					
36 Non-Regulated Broadband Imputation					
37 Net Operating Income w/ ISP Revenues					<u>2,584,005</u>
38 Ponderosa Rate of Return w/ ISP Revenues					<u>8.4400%</u>

Exhibit G

THE PONDEROSA TELEPHONE CO.
NOTICE BY PUBLICATION OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES (A.22-10-____)

Why am I receiving this notice?

On October 3, 2022, The Ponderosa Telephone Co. (Ponderosa) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with the CPUC's rules, including those outlined in CPUC decision numbers D.94-09-065, D.14-12-084, D.21-04-005, D.21-06-004, and in the CPUC's Rules of Practice and Procedure. The application has been docketed at the CPUC as A.22-10-____. The application includes a proposal to modify Ponderosa's basic single-line residential and business rates to include the following custom calling features and voicemail for the same price as the current basic rates: Call Forwarding, Call Waiting, Three-Way Calling, Speed Calling, Toll Restriction, Remote Access to Call Forwarding, Warm Line, Teen Service, Automatic Redial, Selective Call Forwarding, Selective Call Acceptance, Selective Call Rejection, Priority Ringing, Anonymous Call Rejection, Call ID Blocking, Caller ID, Calling Name and Number, Call Trace, Call Return, and Automatic Redial. The proposal will result in no change in cost to the customer.

Why is Ponderosa requesting this adjustment to rates?

Ponderosa has made this proposal to preserve its access to universal service support from state and federal sources and to ensure that it can continue to provide safe, reliable, modern telecommunications services to its customers, while covering its expenses and earning a reasonable rate of return on its investments.

How does the rest of this process work?

The Application will be assigned to a CPUC Administrative Law Judge who will consider proposals and evidence presented during the formal hearing process. The CPUC will hold public participation hearings at dates yet to be determined, which will provide customers an opportunity to express their views on this matter to the CPUC. The Administrative Law Judge will issue a proposed decision that may adopt Ponderosa's application, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting.

Parties to the proceeding will review Ponderosa's application, including the Public Advocates Office of California, which is an independent consumer advocate within the CPUC. For more information about the Public Advocates Office, please call 1-415-703-1584, email PublicAdvocatesOffice@cpuc.ca.gov, or visit PublicAdvocates.cpuc.ca.gov.

Where can I get more information?

Contact Ponderosa:

Phone: 1-800-682-1878

Email: regulatory@ponderosatel.com

In person: 47034 Road 201, O'Neals, CA 93645

A copy of the entire filing and related exhibits is available by written request to:

Attn: Regulatory

The Ponderosa Telephone Co.

P.O. Box 21

O'Neals, California 93645

Contact CPUC:

Please visit **apps.cpuc.ca.gov/c/A22#####** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding. Your participation by providing your thoughts on Ponderosa's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

Phone: **1-866-849-8390** (toll-free) or **1-415-703-2074**

Email: Public.Advisor@cpuc.ca.gov

Mail: CPUC Public Advisor's Office

505 Van Ness Avenue

San Francisco, CA 94102

Please reference **Application A.22-10-###** in any communications you have with the CPUC regarding this matter.

Exhibit H

THE PONDEROSA TELEPHONE CO.
NOTICE OF APPLICATION TO ESTABLISH NEW
REGULATED REVENUE REQUIREMENT AND ADJUST RATES
A.22-XX-XXX

Why am I receiving this notice?

On October 3, 2022, The Ponderosa Telephone Co. (Ponderosa) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with Commission rules, including those outlined in CPUC decision numbers D.94-09-065, D.14-12-084, D.21-04-005, D.21-06-004, and in the CPUC's Rules of Practice and Procedure. The application includes a proposal to modify Ponderosa's basic single-line residential and business rates to include the following custom calling features and voicemail for the same price as the current basic rates: Call Forwarding, Call Waiting, Three-Way Calling, Speed Calling, Toll Restriction, Remote Access to Call Forwarding, Warm Line, Teen Service, Automatic Redial, Selective Call Forwarding, Selective Call Acceptance, Selective Call Rejection, Priority Ringing, Anonymous Call Rejection, Call ID Blocking, Caller ID, Calling Name and Number, Call Trace, Call Return, and Automatic Redial. The proposal will result in no change in cost to the customer.

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Phone: 1-800-682-1878

Email: regulatory@ponderosatel.com

In person: 47034 Road 201, O'Neals, CA 93645

A copy of the entire filing and related exhibits is available by written request to:

Attn: Regulatory

The Ponderosa Telephone Co.

P.O. Box 21

O'Neals, California 93645

Contact CPUC:

Please visit **apps.cpuc.ca.gov/c/A22#####** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding.

Your participation by providing your thoughts on Sierra's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

Phone: **1-866-849-8390** (toll-free) or **1-415-703-2074**

Email: Public.Advisor@cpuc.ca.gov

Mail: CPUC Public Advisor's Office

505 Van Ness Avenue

San Francisco, CA 94102

Please reference **Application A.21-##-###** in any communications you have with the CPUC regarding this matter.

THE PONDEROSA TELEPHONE CO. (U-1014-C)
Proposed Rate Changes
Test Year 2024

Description of Services	Present Rate or Charge	Proposed Rate or Charge	Proposed Increase	Percent Change
CUSTOM CALLING SERVICE				
INDIVIDUAL FEATURES, EACH LINE - RESIDENCE:				
CALL FORWARDING - (regular, busy, delayed)	\$ 3.70	\$ -	\$ (3.70)	-100%
CALL WAITING	\$ 4.94	\$ -	\$ (4.94)	-100%
THREE WAY CALLING	\$ 4.94	\$ -	\$ (4.94)	-100%
CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 3.70	\$ -	\$ (3.70)	-100%
CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 4.94	\$ -	\$ (4.94)	-100%
TOLL RESTRICTION, EACH LINE	\$ 3.09	\$ -	\$ (3.09)	-100%
REMOTE ACCESS TO CALL FORWARDING	\$ 1.54	\$ -	\$ (1.54)	-100%
WARM LINE	\$ 1.50	\$ -	\$ (1.50)	-100%
TEEN SERVICE	\$ 3.70	\$ -	\$ (3.70)	-100%
INDIVIDUAL FEATURES, EACH LINE - BUSINESS:				
CALL FORWARDING - (regular, busy, delayed)	\$ 6.17	\$ -	\$ (6.17)	-100%
CALL WAITING	\$ 8.02	\$ -	\$ (8.02)	-100%
THREE WAY CALLING	\$ 8.02	\$ -	\$ (8.02)	-100%
CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 4.00	\$ -	\$ (4.00)	-100%
CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 6.50	\$ -	\$ (6.50)	-100%
TOLL RESTRICTION, EACH LINE	\$ 3.09	\$ -	\$ (3.09)	-100%
REMOTE ACCESS TO CALL FORWARDING	\$ 2.16	\$ -	\$ (2.16)	-100%
WARM LINE	\$ 1.50	\$ -	\$ (1.50)	-100%
TEEN SERVICE	\$ 3.70	\$ -	\$ (3.70)	-100%
TWO FEATURE PACKAGES, EACH LINE - RESIDENCE:				
CALL FORWARDING & CALL WAITING	\$ 6.48	\$ -	\$ (6.48)	-100%
CALL FORWARDING & THREE-WAY CALLING	\$ 6.48	\$ -	\$ (6.48)	-100%
CALL WAITING & THREE-WAY CALLING	\$ 8.02	\$ -	\$ (8.02)	-100%
CALL FORWARDING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 4.00	\$ -	\$ (4.00)	-100%
CALL FORWARDING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 6.00	\$ -	\$ (6.00)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 5.25	\$ -	\$ (5.25)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 7.00	\$ -	\$ (7.00)	-100%
THREE-WAY CALL, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 5.25	\$ -	\$ (5.25)	-100%
THREE-WAY CALL, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 8.64	\$ -	\$ (8.64)	-100%
TWO FEATURE PACKAGES, EACH LINE - BUSINESS:				
CALL FORWARDING & CALL WAITING	\$ 9.57	\$ -	\$ (9.57)	-100%
CALL FORWARDING & THREE-WAY CALLING	\$ 9.88	\$ -	\$ (9.88)	-100%
CALL WAITING & THREE-WAY CALLING	\$ 12.65	\$ -	\$ (12.65)	-100%
CALL FORWARDING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 6.00	\$ -	\$ (6.00)	-100%
CALL FORWARDING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 8.00	\$ -	\$ (8.00)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 8.25	\$ -	\$ (8.25)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 10.25	\$ -	\$ (10.25)	-100%
THREE-WAY CALL, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 8.25	\$ -	\$ (8.25)	-100%
THREE-WAY CALL, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 10.25	\$ -	\$ (10.25)	-100%
THREE FEATURE PACKAGES, EACH LINE - RESIDENCE:				
CALL FORWARDING & CALL WAITING & THREE-WAY CALL	\$ 9.63	\$ -	\$ (9.63)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 6.60	\$ -	\$ (6.60)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 8.40	\$ -	\$ (8.40)	-100%
CALL WAITING, THREE-WAY CALLING, & CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 8.25	\$ -	\$ (8.25)	-100%
CALL WAITING, THREE-WAY CALLING, & CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 10.25	\$ -	\$ (10.25)	-100%
THREE-WAY CALL, CALL FORWARD, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 6.60	\$ -	\$ (6.60)	-100%
THREE-WAY CALL, CALL FORWARD, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 8.40	\$ -	\$ (8.40)	-100%
THREE FEATURE PACKAGES, EACH LINE - BUSINESS:				
CALL FORWARDING & CALL WAITING & THREE-WAY CALL	\$ 12.00	\$ -	\$ (12.00)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 10.20	\$ -	\$ (10.20)	-100%
CALL WAITING, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 12.00	\$ -	\$ (12.00)	-100%
CALL WAITING, THREE-WAY CALLING, & CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 13.50	\$ -	\$ (13.50)	-100%
CALL WAITING, THREE-WAY CALLING, & CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 15.50	\$ -	\$ (15.50)	-100%
THREE-WAY CALL, CALL FORWARD, CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 10.20	\$ -	\$ (10.20)	-100%
THREE-WAY CALL, CALL FORWARD, CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 12.00	\$ -	\$ (12.00)	-100%
FOUR FEATURE PACKAGES, EACH LINE - RESIDENCE:				
CALL FORWARDING & CALL WAITING & THREE-WAY CALL & CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 10.25	\$ -	\$ (10.25)	-100%
CALL FORWARDING & CALL WAITING & THREE-WAY CALL & CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 12.00	\$ -	\$ (12.00)	-100%
FOUR FEATURE PACKAGES, EACH LINE - BUSINESS:				
CALL FORWARDING & CALL WAITING & THREE-WAY CALL & CUSTOMER CHANGEABLE SPEED CALL - 8 CODE CAPACITY	\$ 16.00	\$ -	\$ (16.00)	-100%
CALL FORWARDING & CALL WAITING & THREE-WAY CALL & CUSTOMER CHANGEABLE SPEED CALL - 30 CODE CAPACITY	\$ 17.50	\$ -	\$ (17.50)	-100%

THE PONDEROSA TELEPHONE CO. (U-1014-C)
Proposed Rate Changes
Test Year 2024

Description of Services	Present Rate or Charge	Proposed Rate or Charge	Proposed Increase	Percent Change
ADVANCED CUSTOM CALLING SERVICE - RESIDENCE				
INDIVIDUAL FEATURES, EACH LINE - RESIDENCE:				
SELECTIVE CALL FORWARD - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
SELECTIVE CALL FORWARD - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
AUTOMATIC REDIAL	\$ 3.50	\$ -	\$ (3.50)	-100%
CALL RETURN	\$ 4.32	\$ -	\$ (4.32)	-100%
SELECTIVE CALL ACCEPTANCE - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
SELECTIVE CALL ACCEPTANCE - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
SELECTIVE CALL REJECTION - 10 TELEPHONE NUMBER	\$ 4.32	\$ -	\$ (4.32)	-100%
SELECTIVE CALL REJECTION - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
PRIORITY RINGING - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
PRIORITY RINGING - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
ANONYMOUS CALL REJECTION	\$ 4.94	\$ -	\$ (4.94)	-100%
CALLER ID	\$ 6.79	\$ -	\$ (6.79)	-100%
CALLER ID BLOCKING - SELECTIVE	\$ -	\$ -	\$ -	0%
CALLER ID BLOCKING - COMPLETE	\$ -	\$ -	\$ -	0%
CALLING NAME AND NUMBER	\$ 8.02	\$ -	\$ (8.02)	-100%
ADVANCED CUSTOM CALLING SERVICE - BUSINESS				
INDIVIDUAL FEATURES, EACH LINE - RESIDENCE:				
SELECTIVE CALL FORWARD - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
SELECTIVE CALL FORWARD - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
AUTOMATIC REDIAL	\$ 3.50	\$ -	\$ (3.50)	-100%
CALL RETURN	\$ 4.32	\$ -	\$ (4.32)	-100%
SELECTIVE CALL ACCEPTANCE - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
SELECTIVE CALL ACCEPTANCE - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
SELECTIVE CALL REJECTION - 10 TELEPHONE NUMBER	\$ 4.32	\$ -	\$ (4.32)	-100%
SELECTIVE CALL REJECTION - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
PRIORITY RINGING - 10 TELEPHONE NUMBER	\$ 3.50	\$ -	\$ (3.50)	-100%
PRIORITY RINGING - 30 TELEPHONE NUMBER	\$ 4.50	\$ -	\$ (4.50)	-100%
ANONYMOUS CALL REJECTION	\$ 4.94	\$ -	\$ (4.94)	-100%
CALLER ID	\$ 6.79	\$ -	\$ (6.79)	-100%
CALLER ID BLOCKING - SELECTIVE	\$ -	\$ -	\$ -	0%
CALLER ID BLOCKING - COMPLETE	\$ -	\$ -	\$ -	0%
CALLING NAME AND NUMBER	\$ 8.02	\$ -	\$ (8.02)	-100%
MULTIPLE FEATURE DISCOUNT PLAN, PER LINE				
PER FEATURE CREDIT				
TWO FEATURES	\$ (1.00)	\$ -	\$ 1.00	-100%
THREE FEATURES	\$ (2.00)	\$ -	\$ 2.00	-100%
FOUR FEATURES	\$ (3.00)	\$ -	\$ 3.00	-100%
FIVE FEATURES	\$ (4.00)	\$ -	\$ 4.00	-100%
SIX FEATURES	\$ (5.00)	\$ -	\$ 5.00	-100%
SEVEN FEATURES	\$ (6.00)	\$ -	\$ 6.00	-100%
EIGHT FEATURES	\$ (7.00)	\$ -	\$ 7.00	-100%
USAGE SENSITIVE FEATURES, PER ACTIVATION				
CALL TRACE	\$ 15.00	\$ -	\$ (15.00)	-100%
CALL RETURN	\$ 6.00	\$ -	\$ (6.00)	-100%
AUTOMATIC REDIAL	\$ 6.00	\$ -	\$ (6.00)	-100%
CLASSIC VOICE FEATURE PACKAGE				
RESIDENCE	\$ 6.17	\$ -	\$ (6.17)	-100%
BUSINESS	\$ 6.17	\$ -	\$ (6.17)	-100%
CLASSIC VOICE PLUS FEATURE PACKAGE				
RESIDENCE	\$ 8.02	\$ -	\$ (8.02)	-100%
BUSINESS	\$ 8.02	\$ -	\$ (8.02)	-100%
USAGE SENSITIVE FEATURES, PER ACTIVATION				
CALL TRACE	\$ 3.70	\$ -	\$ (3.70)	-100%
CALL RETURN	\$ 0.93	\$ -	\$ (0.93)	-100%
AUTOMATIC REDIAL	\$ 0.93	\$ -	\$ (0.93)	-100%
VOICE MAIL SERVICE				
VOICE MAIL - 10 MIN	\$ 4.25	\$ -	\$ (4.25)	-100%
VOICE MAIL - 20 MIN	\$ 6.50	\$ -	\$ (6.50)	-100%
VOICE MAIL - 30 MIN	\$ 8.50	\$ -	\$ (8.50)	-100%
VOICE MAIL - 40 MIN	\$ 10.50	\$ -	\$ (10.50)	-100%
OPTIONAL FEATURES				
MESSAGE WAITING LIGHT	\$ 0.50	\$ -	\$ (0.50)	-100%
REMOTE MESSAGE NOTIFICATION	\$ 2.00	\$ -	\$ (2.00)	-100%
GREETING ONLY	\$ 4.25	\$ -	\$ (4.25)	-100%
OUT-DIAL	\$ 2.00	\$ -	\$ (2.00)	-100%
VOICE MENU PER APPLICATION	\$ 4.25	\$ -	\$ (4.25)	-100%
VOICE MENU PER PROMPT OR ANNOUNCEMENT	\$ 0.50	\$ -	\$ (0.50)	-100%
REPLACE LOST PASSWORD	\$ 21.50	\$ -	\$ (21.50)	-100%

Exhibit I

[A]	[B]	[C]	[E]	[F]	[G]	[H]	[I]	[J]	
Agreement Type (License, Lease or Other	Name of Company in Agreement With	Facility/Utility Property Type in Agreement	is the Transaction with a subsidiary or affiliate? (Yes/No)	Is the Transaction Revocable?	Length of Agreement (Effective Date-End Date)	Dollar Amount Over Life of Agreement	Dollar Amount for GRC Year	Recording Policy	
[1]	License	New Cingular Wireless PCS, LLC - Mercer	Tower/Land	No	Yes	5 year term with 5 extended terms of 5 years each. 01/01/2001 - 08/31/2014; 09/01/2014 - 08/31/2024	\$464,391	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, the license revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[2]	License	Pacific Gas and Electric Company - Mercer	Building/Land	No	Yes	Continuing until revoked 01/01/2001 - present	\$324,575*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, the license revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[3]	License	New Cingular Wireless PCS, LLC - Musick	Building/Tower	No	Yes	5 year term with 5 extended terms of 5 years each. 01/01/2001 - 02/29/2008; 03/01/2008 - 02/28/2023	\$967,540	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[4]	License	Fresno MSA Limited Partnership d/b/a Verizon Wireless - Musick	Tower	No	Yes	5 extended terms of 5 years each. 01/01/2001 - 08/31/2022; 09/01/2022 - 08/31/2027	\$1,141,371	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[5]	License	Ponderosa Cablevision - O'Neals	Building - Business Office	Yes	Yes	Continuing until revoked 01/01/2001-present	\$40,364*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[6]	License	Ponderosa Cablevision - Friant	Building - Central Office	Yes	Yes	4 extended terms of 5 years each. 02/01/2021 - 01/31/2026	\$50,311	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[7]	License	Fresno MSA Limited Partnership d/b/a Verizon Wireless - Shaver	Building/Tower	No	Yes	5 extended terms of 5 years each. 01/01/2001 - 08/31/2016; 09/01/2016 - 08/31/2026	\$1,075,780	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[8]	License	Ubiquitel Leasing Company - Shaver	Building/Tower	No	Yes	Initially terminated by Ubituitel effective 09/30/2020. Month to month 10/01/2020-12/31/22.	\$1,002,198*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue; Terminated 12/31/22
[9]	License	State of California, Department of Forestry and Fire Protection - Shaver	Building/Tower	No	Yes	Continuing until revoked 1/1/2001-present	\$40,619*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue
[10]	Lease	AT&T - Goat Mtn	Tower	No	Yes	5 year term with 5 extended terms of 5 years each. 01/01/2001 - 02/29/2008; 03/01/2008 - 02/28/2023	\$843,725	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other
[11]	Lease	Verizon - Goat Mtn	Tower	No	Yes	3 extended terms of 5 years each. 01/01/2001 - 07/31/2014; 08/01/2014 - 07/31/2024	\$806,849	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other
[12]	Lease	Univision - Goat Mtn	Tower	No	No	10 year term with 3 extended terms of 5 years each. 11/1/2001 - 10/31/2026	\$1,194,462	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other

	[A]	[B]	[C]	[E]	[F]	[G]	[H]	[I]	[J]
	Agreement Type (License, Lease or Other	Name of Company in Agreement With	Facility/Utility Property Type in Agreement	is the Transaction with a subsidiary or affiliate? (Yes/No)	Is the Transaction Revocable?	Length of Agreement (Effective Date-End Date)	Dollar Amount Over Life of Agreement	Dollar Amount for GRC Year	Recording Policy
[13]	Lease	California Land Management - Goat Mtn	Tower	No	Yes	Continuing until revoked 01/01/2001 - present	\$56,649*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other
[14]	Lease	Bobby Mooneyham - Goat Mtn	Tower	No	Yes	Continuing until revoked 01/01/2001 - present	\$11,062*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, this revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other
[15]	License	Sierra Telephone Company, Inc - Goat Mtn	Building	No	Yes	Terminated by Sierra effective 11/30/22. 12/01/2013 - 11/30/2022.	\$57,600	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, the license revenue is not part of Ponderosa's rate design.	5240.0 Rent Revenue; Terminated 11/30/22
[16]	License	Sierra Telephone Company, Inc - Goat Mtn	Conduit	No	Yes	Continuing until revoked 12/01/2013 - present	\$18,000*	The asset is not in the proposed rate base and has no effect on regulated revenue requirement. Therefore, the license revenue is not part of Ponderosa's rate design.	7990.06 Non-Reg Revenue - Miscellaneous Other

*Revenues through 12/31/22

Exhibit J

Benchmark/Timeline - Per D.15-06-048 as modified by D.20-08-011	Ponderosa
GRC Application Filed and Testimony served	Monday, October 3, 2022
Protest/Intervenor Deadline	Wednesday, November 2, 2022
Reply to protest	Monday, November 14, 2022
Prehearing Conference	Thursday, December 1, 2022
Intervenor Testimony Due	Friday, March 3, 2023
Public Participation Hearings	Wednesday, March 15, 2023
Rebuttal Testimony Due	Friday, May 5, 2023
Evidentiary Hearings	Monday, June 19, 2023
Opening Briefs	Friday, July 21, 2023
Reply Briefs/ALJ closes record	Friday, August 11, 2023
Proposed Decision	Monday, October 23, 2023
Comments on PD	Monday, November 13, 2023
Commission Meeting/Decision	Thursday, November 16, 2023
Implement new GRC rate structure	Monday, January 1, 2024